

BATUMI SHOTA RUSTAVELI STATE UNIVERSITY

**FACULTY OF ECONOMICS AND BUSINESS
DEPARTMENT OF MANAGEMENT, MARKETING
AND BUSINESS ADMINISTRATION**

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**Possibilities of infrastructure formation of the effective proprietary
relations and modern trends of business globalization**

Speciality: Business Administration

**This Dissertation
is submitted in order to get Doctor`s degree
in Business Administration**

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Introductory

The actuality of the theme. The economic systems, existing up to now in various countries of the world differ from each other with the development level of the means of production, with their relevant relations of production, forms of property, also with the rule of management of economic activity. The existence of these and other peculiarities raised in the agenda the discussion of economic systems and their peculiarities.

One of the basic and essential indicator on the means of production of any economic system is the existence of ownership forms, what is determinant of the development direction of the society and social result of this activity.

The development of market economy and the acceleration of global processes encouraged private property, unlimited competition and limited role of the state in economy.

Market economy, first of all, is based on economic freedom, what will be revealed in the freedom of choice. The choice is the main prerequisite of the competition and the competition – is the main motive power for economic development. Economic freedom creates the basis for innovations.

Georgia, for more than two decades, has been carrying out the transition from administrative-command system to the market economic system, which is subject to a number of economic regulations. Among them, the most important is the radical reform of property, that`s why, to study the significance of transformation of ownership forms and its economic importance is one of the most actual issues in economy science.

The first distinguishing mark of the market economy is the diversity of ownership forms, equal protection of any form of property rights and property pluralism. The deregulation process of state property, implemented in Georgia, the

privatization, passed step by step and transition period of the property put in the foreground the necessity of researching the complex phenomenon of ownership. In the work, we've tried to explain economic aspects of property, property, as the essence of economic category, genesis of property forms, democratization and transformation issues of the property.

Modern world economic trends are directed to the democratization of property. Which deepened our interests in the direction of determining the limit of rights and protection of legality, diffusion of property rights. And privatization, despite of the gaps, as a phenomenal phenomenon of transforming state property into personalized private property, played a great role in the transformation process of state-monopolistic property in Georgia.

Transformation process of proprietary relations, active privatization raises in the agenda the necessity to study the directions of business globalization, especially in such fields, which are based on foreign investments and international capital.

Goals and objectives of the study. The main goal of the study is to analyze the reform of the current property relations under the conditions of market economy in Georgia. We consider that it's important to study a common economic background on the basis of using the international knowledge and experience and in this direction, to develop problem solving activities.

The main objectives of the study, in accordance with the goal, is:

- To study the ongoing privatization process in the Autonomous Republic of Ajara;
- To define the advisability of the transition economy process of property at all stages of country's economic development;
- Problems related to the registration of privatization of the main means of Georgia;
- To determine the contradictions related to the formation of the land market.

- Economic analysis and evaluations of the privatized means in the Autonomous Republic of Ajara;
- To study the trends and progress of business globalization.

Subject and object of the study. The object of the study is proprietary relations, to study the transformation process in the private ownership of the basic means, also the object of the study is to review the mentioned process, as the economic opportunities of the result, formation of the relevant infrastructure.

The subject of the study is privatization process of large objects and plot of lands within the borders of Autonomous Republic of Ajara, targeted functioning of the main characteristics of each object and number of employees, as well as the possibilities of the formation of land market of Georgia, the development trends of land management.

Theoretical and methodological basis of the study. The evaluation of the market is based on the upward “from bottom to up” approach and include the study of documentary materials, direct interviews, statistical data processing and research. Theoretical basis of the study is economic catalogues, scientific researches of various authors on market economy, business environment, state property and its privatization and works of applied nature, archive materials, different kinds of scientific researches and reports.

Information source is statistical data and economic indicators of national statistics office of Georgia and property management agency of Ministry of Finance and economy of Autonomous Republic of Ajara. Also the legislative material, orders and resolutions, provided by the national agency of public registry, have been used during the preparing of the work. During the study, we`ve made the ranking of the raw information, requested from the national statistics office according to the privatized objects, enterprises registered in state and private sector and according to

the incomes, got from the privatization, which were used to determine the property structures, forms and the existing situation of the market.

The study was conducted in several municipalities, where the personnel of privatization and property registration services and directly the land owners were interviewed.

Scientific novelties of the study. The novelties, that have been got as a result of study, are as follows:

- It's outlined the influence of global institutes on the transformation process of property and mechanism formation of property right protection;
- It's revealed the trends, characterized for global economic systems and it's represented the events of accelerating the globalization process in production and selling network related to the transformation of property relations.
- It's evaluated the progress and possibilities of creating the alliances with global companies by the Georgian companies;
- It's determined link criterias between the economic significance of private property and economic freedom;
- It's outlined the ongoing stages of privatizations in Georgia and their peculiarities, it's estimated the place of each stage in the introduction of market principles;
- It's defined the criteria, reflecting the results of privatization, including the impact of this process on the budget, investments, employment and on other social factors;
- It's systematized the legislative base related to the privatization process, it's outlined the contradictions related to its use and it's worked out the ways of its eradication;
- It's determined the stages of legislative reform and their influence on the economy of the country in relation to time;

- It's estimated the dynamics of privatization and the influence of processes related to the transition economy on the market;
- It's revealed the features of management of the real estate in the Autonomous Republic of Ajara and it's estimated the trends, characterized for it;
- It's determined the influence of direct foreign investments on the activity of privatized objects and transnational companies, it's revealed the external and internal factors, acting on them;
- It's worked out justified proposals for the formation of investment policy on convergence with privatization process;
- It's estimated the transformation process and results of property forms. It's justified the role of private ownership in entrepreneurship and business development;
- It's revealed the problems, related to the land registration and the results, caused by it. It's compared expenses and procedures, related to the land registration before the implementation of the reform and on the next stage of its implementation;
- It's been studied regulatory institutional environment of real estate property and it's been revealed its defects, it's been worked out the relevant measures;
- It's represented the results of the study related to the management of the real estate, the main purpose of which is to show the views of the population towards the basic means, especially towards the land, as the economic active and economic benefit, got after its cultivation. Accordingly, it's represented the proposals for rational use of the owned resources for the owners;
- The model of land exchange is offered for the state, which will play a decisive role as in solution of problems, related to the management of the real estate as in

agricultural development and systematic character will be given to the land market.

Theoretical and practical importance of the work. Property is a motive power of modern economic system and to ensure its inviolability is the main challenge of the state and ensures the success of the country on the international market.

Therefore, the issues discussed in the study and the scientific novelties of the study, can be used:

- As theoretical bases for preparation of lecture course in different institutions;
- For overcome of the obstacles, formed durin the implementation process of reforms, related to the land;
- For the creation and formation of the private owner`s culture in Georgia;
- For the assessment and analysiso of the privatization processes of the real estate;

Approbation of the work. Important thesis, conclusions and recommendations of the dissertation work was presented before the department of management, marketing and business administration of the faculty of economy and business. The main provisions and proposals of the dissertation research have been published in the materials of the international scientific conference as international abstracting (reviewing) and in reviewed magazines. Proposals and recommendations were given to the relevant ministries, specific services of the departments, agencies.

The structure of the work: The dissertation work consists of 196 printed pages and consists of introductory, three chapters, nine sub-chapters, conclusions and proposals, used literature and annexes.

According to the goals and objectives of the study, the following structure of the work is represented:

Introductory

Chapter I. Theoretical basis of the economic systems and the possibilities of proprietary relations in the epoch of Globalization

- 1.1 Characteristics of the economic systems and modern trends of business globalization
- 1.2 Proprietary relations and its forms
- 1.3 Transition economy of the property and phenomenon of privatization

Chapter II. The transformation of the property and the problems, related to it in the Autonomous Republic of Ajara.

- 2.1. Role of transformation of property in the economic development of the country
- 2.2. Regulatory institutional environment of the proprietary relations and the main characteristics of their estimation.
- 2.3. Management of the state property and its peculiarities on the example of Autonomous Republic of Ajara.

Chapter III. the role of the real estate, as the role of ownership element in the development of Georgia's economy.

- 3.1. Availability of the land, as the main object of the ownership and the problems, related to it.
- 3.2. International experience of the management of the real estate and the opportunities of formation of land market
- 3.3. arrangement measures of property relations related to the real estate.

Conclusions and proposals

Used Literature

Annexes

The basic content of the work

In the first chapter of the work **“Theoretical basis of the economic systems and the possibilities of proprietary relations in the epoch of Globalization”** – it is discussed the characteristics of economic systems and modern trends of business globalization, it`s analyzed the forms of proprietary relations and it`s characterized the phenomenon of privatization.

In modern conditions, the ownership is changing in the footsteps of changes of individual countries economic systems and it`s natural that the globalization makes a significant influence on it. Going into legal property system isn`t connected with the development of innovative technologies and chain reactions of dynamics of globalization, but it has already existed before the globalization processes appear and it made the countries with national difference as one of the biggest global world. Here it`s noteworthy the fact, that globalization and global institutes contributed to improve the protection mechanism of property rights at international level. The key change is in meeting the standards with social and economic requirements of the majority of population.

We consider that market economy has such mechanism in relation to property, which provides a higher level of technical progress of production and satisfies the customers` needs more fully. It can be said that the customers` interests and private property is in the center of attention of market economy. Finally, they define the structure and distribution of the production.

Where there`s economic activity, there`re always proprietary relation. In order we have a complete idea on ownership, it`s necessary to define its essence, place and role in the whole economic systems and public relations, what determines the main direction of our study, in particular:

- First of all, property is the foundation of economic activity. Depending on the nature of property forms, it provides both, the opportunity of consumption, exchange and distribution material and intangible wealth
- The condition of society, their access on production factors is based on the property.
- Property is the result of historical development. Its form and character is changing in accordance with the changes of the dependence on the means of production. At the same time, the main motive power of these changes can be considered the development of productive forces;
- Specific forms of property are functioning in each economic system.

Each stage of the development of society is greatly determined with the forms of ownership, characterized on it. In the historical development process of society, proprietary relations, their structure and character changes with the influence of various factors, it'll be the creation of wealth, reproduction, political changes or legal acts. As a result of these changes, the ownership gets such form, which is not in line with the public rules of production. The strengthening of proprietary relations is done with the appropriate legislative acts. The legislation itself establishes such legal norms, which regulate the relations of property possession, disposal or use, which is in the ownership of individual entities, groups or the entire society, as a result of it, the existing proprietary relations get the forms of legal relations, in which the entities have certain rights.

It should be noted, that the phenomenon of ownership comes out from the right of dispose of a certain number of resources. This issue was first explained in 1987 year, in the Austrian economist K. Mengen's book "Fundamentals of political economy". Mengen notes that: "The property is the existence of riches, the number of which is less compared with the demand on it" (Mengen 1992:79).

Paragraph 1 of the article 21st of constitution of Georgia recognizes the universal right of ownership, its buy, alienation or hereditary succession. The property right is a natural right, without which it's impossible the existence of society. "The property right is not only elementary basis of human life, but it provides its freedom, adequate realization of his skills and possibilities, to direct the life with his own responsibility. All these stipulate individual's private initiatives in the sphere of economy, what promotes economic relations, the development of free entrepreneurship, market economy, normal, stabile civil turnover (**authors 2013:201**).

In Georgia, in the development conditions of the modern economy it's establishing western dependence towards the property right, what means to have a social function of property and brings it within the moderate limits.

The role and significance of ownership in the process of forming public relations is more and more increasing, what can be determined as follows:

- On the property relations are depended on economic conditions of classes, layers and groups, existing in a separate society;
- The basis of the entire system of society relations is a property;
- The forms of ownership is changing in line with the changes of production rules and development of productive forces, what is the result of historical development of property;
- The interaction of ownership forms, existing in society, promote the development of this society.

Stimulating function of society is profitable for the society, when the property right is sharp and indestructible, and the rules of ownership are less restrictive. As a result of it, the owner gets a real opportunity to use his favorable moments of entrepreneurial activity.

We agree, that the legal right on ownership is prerequisite of investment activity. An entrepreneur aspires to increase his income during the using of private property, accordingly he saves some part of his income and tries to accumulate it. Which leads us to increase the capital volume and to rise the welfare of proprietors and the whole society as well.

The right of ownership and disposal the property means its free movement, what makes the use of resource more efficient and flexible and the entrepreneurs are given the opportunity to buy such quantities and types of resources, which is best suited to their interests. So, free buy & sell of material and labor resources and enough flexibility of the entrepreneur, brings these resources together where they'll be used with maximum efficiency. And to create the ownership and to obtain the right of dispose really creates some kind of pride in owners because of the results of their achievements.

The existence of property in private ownership wakes up the feeling of satisfaction in human, that he himself manages his own material goodness and at the same time, he is given an opportunity to take part to satisfy the public interests.

Modern market economy recognizes all forms of ownership with equal form, the change of which is the basis to move from one economic system to another. During the transformation, new economic relations are formed in the field of ownership. It hereby should be noted that, almost all countries, where state sector plays a dominant role in their national economy and private sector is too limited, had a failure on the field of economy. We share the opinion that the state-owned enterprises are usually ineffective in a number of fields.

Global market needs to carry out the global activities. In the conditions of global economy, the countries achieve success, which are able to achieve synergistic effect between the technology and capital. Georgia should increase its

participation in global enterprise and selling networks in the footsteps of reduction of a number of existing enterprises. In high-technical and specialized fields, it's advisable to create the alliances with global companies, for which it's necessary to go the preparatory stage, what means to improve the infrastructure, to form the property phenomenon and to create an institutional environment. The disputable question is the results of globalization for a certain counties, but it's essential the prerequisites, results and possibilities of globalization. Its important precondition is the international division of the labor, migration and the concentration of production resources, labor force, capital around the world. And the result of it is the standardization, also getting closer culture of various countries and economic and technological processes.

According to the economic globalization, Georgia has the 16th place and in general, with the level of globalization, it has 64th place. 16th position of Georgia was conditioned by liberal policy of the international trade and the possibility of entering the foreign capital easily. High position of Georgia mostly reflects the prospect of economic development, than the level of achieved development. Calculation of economic freedom index by Heritage Foundation – is based on the definition of 10 indicators: freedom of business, freedom of trade, fiscal freedom, freedom from the state, monetary freedom, investment freedom, financial freedom, property rights, exemption from corruption, freedom of labor. In the above mentioned indicators, the attention is paid on property and proprietary relations.

Property is an event reflecting the relationships between the people, which expresses the defined form of appropriation of material goodness. The importance of this economic category is defined with the fact that it represents the basis of the whole system of public relations. The transformation of the property is very difficult and socially acute process. It's clear, that to convert non-market economy

on the modern civilized relations and it's impossible to improve the management system without radical reform of the property. Because of these and other reasons, in post-soviet space, among them was Georgia too, was going the process of privatization and it's been mainly completed, which promotes to increase productivity, to aggravate healthy competition and finally it causes the reinforcement of country's efficiency. one of the advantage of privatization is that it creates the competitive environment, what ensures to increase the production and to protect the market from monopolistic influence of the state structures.

It should also be noted that the process of privatization in Georgia presented the issue of proprietary relations in a completely new way. We consider, that in economic policy of state, the dominant criterion should be considered not the prevailing condition of any form, but equal ratio of all forms of property with each other and their effective usage, what is a successful practice of highly developed countries.

The most actual, cardinal problem of converting on the market economy is a radical form of property, which is mainly carried out through the transition economy and privatization.

To develop and implement the management strategy of the state property should be based on determination of methodological basis of the research of proprietary relations. The solution of this problem, first of all, requires to establish the main characteristics of the national model of economy management and objective tendencies of country's economic development.

On the post-soviet countries, including Georgia, the process of privatization and transition economy has already been carried out for several years, which is the most important and acute issue of the development of market economy trends.

From our point of view, transition economy means to transfer the monopolized property objects to any non-state structure, and privatization means to transfer state-owned enterprises, vehicles, residential building and others in only private ownership. The purpose of transition economy is to limit the state interference in economy, to lead out the enterprises from the direct administrative management of state bodies and to turn them into real market entities, Privatization is the process, which means to give the state property to non-state proprietors in free of other legal form.

Transformation of proprietary relations is objective result of transition economy and privatization. We consider, that in any society transformation is always going in accordance with its development. It can be considered as a process of subjective character, because it's carried out by business entities, state, firms and individuals. This means, that the success or failure of this process, is determined with the degree of practical and theoretical knowledge of proprietary relations. That's why, the establishment of the principles of transformation, should be based on the knowledge of the essence, forms, trends of development of property. Such approach gives an opportunity to define the peculiarities of privatization theory.

We agree with the opinion that there're two ways to form the private sector: First way means to create the private enterprises with the owners' initiatives and expenses, during the existence of market infrastructure and correct economic policy of the state. The second important way is the privatization process of enterprises of state property.

We consider that it's unbelievable to exist united criteria of success of privatization process for the country. But such criterias as they are: stabilizing impact on the budget (incomes from the privatization), to attract direct foreign investments, capitalization on stock market and finally, solid economic growth

after the implementation of key privatization, is characterized for the current privatization process in any countries with different scale and sequence.

The total assessment of privatization is based on the classification of its results. Such classification requires to separate time and concrete criterias. According to time criteria, it's separated out short-term, medium-term and long-term effects. In accordance with concrete criteria, it's advisable to separate out: political, ideological, psychological, economic, social, institutional, ecological and etc.

International experience shows us that, in the countries of transition economy, the transformation of property is going with two ways – radical or evolutionary. Georgia, with the footsteps of transition economy, chose radical approach, what means a quick distribution of property right. A great part of property objects moves into private individuals. The mentioned task was a quite acute in terms of fair implementation of transition economy. The main question was under which framework of the law, would be transferred the property to the private individuals and who would be the owner of the property.

In Georgia, according to the scale of privatization, can be separated three stages. The first stage was carried out in 1993-1996 years and it covered massive privatization of small enterprises, the share of private sector exceeded 50 % in gross domestic product of the country, or in terms of establishing market institutions and relations qualitative shifts happened.

It's a pity and noteworthy the fact that, at the initial stage (in 90s years) an important part of national wealth of Georgia was not distributed fairly. Many enterprises and organizations were found in the hands of individuals. Thousands of factories moved to the private property with lower price than the minimal value is, with incorrectly calculated value of balance. Which caused property disbalance in society, there were two layers of wealth and poor. The country feels the deficit of

middle class, which destroys the economy. Finally, one part of society choose to emigrate, on the basis of which, the intellectual resources flow out of the country, the country suffers from the intellectual desolation. The prerequisite of this is that the privatization in Georgia started in a very difficult environment, there was no perfect legislative basis, which was accompanied by severe social background and criminogenic situation, war situation, paralyzed credit-finance system, poor transport and industrial infrastructure, lack of national currency, defficiency of staff with appropriate experience and qualification. What found its reflection in the implementation process of rpivatization.

To implement privatization in Georgia aimed to carry out such activities as they are:

- To create the conditions, which are necessary to raise the life level of population;
- To form the system of proprietary relations, to transfer the state property into other form, which will be in line with the principles of market economy;
- To achieve the ratio of the optimization between the property forms;
- To form the real economies in the sphere of material production and service by establishing the diversity of property and to create the motivation towards the high productive labor;
- To promote the growth of revenues in the state budget and to attract foreign investments.

A large part of the objectives, at the first stage of privatization, was unachievable, because of the existing hard social and economic background. We consider that, in order to achieve the set goals, a number of measures should be carried out, in particular:

- To work out the perfect legislative base;

- Preparation for privatization of state enterprises with special program;
- Restructurization of enterprises, in order to increase the level of profitability;
- To increase the competitiveness of privatization enterprises;
- To define the conditions of privatization, fitted to the country's economy;

Despite of the large-scale carried out privatization, the attentions should be paid to the fact, that 40-45 % of the privatized objects still remained inactive and most of the enterprises has not come into operation yet. It's considered that the main reason of this is to show indifference and inattention by the local governing bodies, ministries and agencies, because they didn't use administrative and economic levers, defined by the legislation.

After the completion of the first stage of implementation of privatization, effective management issues of enterprises were not still outlined, the transformation of proprietary relations were not completely implemented and a number of spheres of economies remained monopolized, in a number of field, there was not worked out a relevant action plan of the state programs.

The second stage includes the period from 1997 year till 2002 year, at this stage, a large-scale privatization process was carried out, what meant the privatization of large enterprises. The second phase of privatization is conditional, because in 1996 year, the privatization process reached its peak and then, the decline of privatization speed was observed till 2002 year. After 2003 year, in the field of privatiozation, third phase started, so called "aggressive privzatization", at this stage, the process of privatization was implemented by taking bold steps, the state property was alienated extremely unjustified, in symbolic price, only with political considerations.

Despite of the mistakes made and existing problems, we believe that privatization has a special role to create a ground for the sustainable development of country`s economy and to form the market relations.

The main problem of the last stage can be separated out lack of transparency of privatization process, because in most cases, to get information about the real owner of privatized enterprise is practically impossible. For example: The owner of the water supply and sewerage company of Tbilisi, Mtskheta and Rustavi “Georgian water and power” is “Georgian Global Utilities” registered at the British Virgin Islands. Company “Energo-pro Georgia. Electricity generation (15 medium and small size hydro power stations and Gardabani gas power plant) and distribution (covers 70 % of Georgian territory) – according to the information of company`s web-site, the company, registered in Georgia is subsidiary of Czech company “Energo Company A.S.”. However, the company is registered in Georgia as joint stock company and the information about shareholders is unknown. “Telasi” - Electricity distribution company of Tbilisi – is registered as a joint stock company. In the extract of public registry, the information on shares in company is not indicated, but according to the information 15, placed on the web-site of the company itself, 75.108% of the company`s shares is owned by JSC “RAO UES” – a subsidiary company Silk Road Holdings B.V., registered in Amsterdam (the information about founder is covered). 24.529% of shares is owned by JSC “partnership fund” – nowadays, state investment fund; and 0.363% of shares is owned by foreign shareholdes. Georgia`s largest industrial complex – Zestafoni Ferroalloy Plant, Chiatura manganese Mine and concentrating mill and Vartsikhe Cascade hydroelectric power plant , since 2006 year are in offshore zone, it`s property of GM Georgian Manganese Holding Limited – registered in Cyprus; and since 2013 year, also in offshore zone, Georgia American Alloys is registered in

Luxemburg; according to the information, placed on the web-site of Batumi Oil terminal, “Since February, 2008 year, joint Stock Company “Kaztransoil”, which is a subsidiary company of the national company of JSC “Kazmunaigas” became the owner of oil terminal and got an exclusive right of management of Batumi sea port”. In accordance with the extract of public registry, “Batumi Oil Terminal” LTD is the ownership of Limited Liability Company “Batumi Terminals”, registered in Cyprus. The owner of Tbilisi Jewelry Plant “ZARAPXANA” LLC – is “ZARAPXANA DEVELOPMENT” , which is in the ownership of FIORLANE LIMITED, registered in Virgin Islands.¹

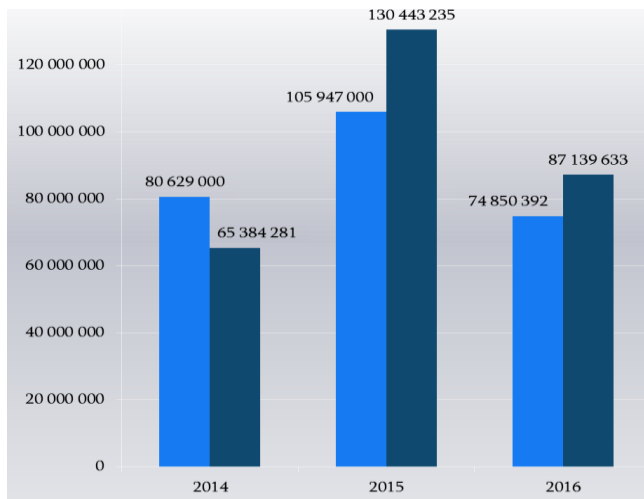
It's great the effect of privatization in terms of increasing the incomes in the budget.

According to the data of the national agency of weight of the state, in 2015 year, in the state budget, 106 million GEL was received from privatization, and in 2016 year, the mobilization of 75 million GEL was foreseen in the state budget from privatization, the annual plan was fulfilled with 99.8 % and the revenues in the budget consisted of 74 850 392 GEL.

We consider, that one of the basic action for the development of Georgia's economy is to implement planned, evaluated privatization. This means to transfer the property in the ownership of private owners, which were considered as a public property for decades. The efficient process of privatization somehow determines the proper working of country's economy, it contributes to attract local and foreign investments, to put in motion manufacturing and service facilities, to increase a number of work places, to solve somehow the existing social problems, and in whole, it gives an opportunity to strengthen the statehood.

Diagram 1

The cost, received in the state budget and the cost of privatized property in 2014-2016 years



- Actual income in the state budget (GEL)
- The cost of privatized property (GEL)

Source: the national agency of state property <http://nasp.gov.ge/>

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We think that it's important to discuss the education and health in the context of privatization, because as we've already mentioned, education and health is the most sensitive fields, because the results of the implemented reform, are got

by the generations. According to December 31, 2016 year, a number of stationary institutions, in Georgia, consisted of 271 units. In the autonomous republic of Ajara, from 50 (including 20 stationary) medical institutions, 41 belongs to the private sector, and 9 institutions is in the state ownership with 100 %. We agree with the opinion, that maximal efficiency and quality can be reached in the healthcare sector with market mechanisms. The recent policy made it possible a rapid construction of hospitals equipped with modern equipments throughout Georgia, but there're some defects as well. Massive privatization of medical institutions was not balanced with the proper mechanism of regulation, what would protect patient's right to get high-grade medical service. Full privatization of hospital sector, with the non-existence of effective legislative mechanisms, could not be brought the absolute result, because one of the condition of privatization, to create a healthy competition in the field, can be considered as violation in accordance with the fact, that the owners of new hospitals, built in regions, mostly are the companies, which provide social insurance to the region and this prevents to get accessible, high-grade medical service.

In Georgia, as in most post-soviet countries, there had been an unprecedented privatization of expenditure on higher education. Share of private expenditure is high in both, private and state universities as well. In post-soviet countries, absolute majority of students pay the fee in state and private institutions as well. In Georgia, the total cost of study is paid by 64 %, from this, 49 % is on the state higher education institutions and 15 % - on private higher institutions.

However, if we take into account that, in Georgia about 25 % pays the fee of study partially, then Georgia has one of the highest rate of students payment among the post-soviet countries.

If we look through the current situation in the field of Education in terms of property forms, we'll see that in the field of general education, in 2016/2017 academic year, a number of public schools is 9 times higher than the number of private schools. And in terms of higher education, the situation shows the opposite. A number of private institutions is 2.7 times higher than the state institutions. If we look at the dynamics of the number of institutions from 200 year till 2016 year, we'll see that the number of private higher institutions is significantly reduced and the number of private schools increased. Nowadays, there're 2321 schools and 74 higher educational institutions.

The existing competition between private and state institutions in the field of education finally improves the education level of population, also the competition is reflected on tuition fee, but the education is such field, where we need caution during the implementation of reform in terms of both, general education and higher education as well, here, we think that, it's not appropriate to use radical approach. It's necessary to choose the right ration between the property forms.

Tension economy of state property at all stages of country's development, is an essential condition for getting the economy healthy. State uses various methods in order to direct this process effectively, such as: licensing system of modernized business, lease and purchase, tender, direct sale, auction.

The forms of tender and auction is mostly used in Georgia. It's especially important to use conditional auction for privatization. We think, that only price-oriented approach with auction price gives us an incomplete result.

It's true that, the contribution in the budget is high, but the buyer of the property doesn't have an obligation except for money payment, which must be paid by the buyer within a certain period. Therefore, there're nor foreseen the social conditions, what makes a negative influence on social condition of the

country. The forms of direct selling and transmission of free of charge are mainly used to implement social projects by the state.

The main goal of privatization in transition countries on market economy is to enlarge the incomes of state budget and to increase the efficiency of economy, which means:

- Reconstruction of production;
- To implement new forms, methods and technologies of management, to increase the quality of product;
- To establish on foreign market;
- To attract foreign and domestic investments;

Despite of the fact, that we often speak about positive effect of foreign investments, we consider, that the trend of the recent years, what means to fill the budget with foreign investments, attracted by the privatization, won't be good in long-term prospective of the country's economy, because this is single event (used only once) in order to get budget income.

As for the aggressive stage of privatization in Georgia, it was implemented by alienating of such property, which could function efficiently under the conditions of modern management. New proprietors could not the efficient management of the property and by this, they contributed sharp lowering of industrial, agricultural and scientific potential and it deepened economic instability.

We can conclude that, the efficiency of the property depends not only on its form of ownership, but also on managerial functions, made by the owner, on production and labor organization, on the quality of action with modern management principles.

The basic mistake of privatization is allowed with respect of the land, the main problem is in incorrectly registered plots, except for the fact that, reform caused

land fragmentation, the determination of the exact borders of the plot of land could not be done. The state bodies could not have the necessary resources for this. The reform should have created strictly protected system of property rights, what would involve agricultural land in economic turnover, but the groundlessness of initial registration caused the fact that, cadastral drawings are different from the real sizes of the plots and overlapping is going.

In the second chapter of the work – **“The transformation of the property and the problems, related to it in the Autonomous Republic of Ajara”** – it’s discussed the role of property transformation in the development of country’s economy, institutional environment for regulation the proprietary relations and the basic characteristics of their assessment, management of state property and its peculiarities on the example of Autonomous Republic of Ajara.

Participate share of private property is increased annually in Georgia, in accordance with the data of March 1, 2017 year of the national statistics office of Georgia, 642 056 business subjects are registered by private owners, among them 168 463 are active and 6 063 business subjects are in the ownership of the state, active - 2 910, 1 922 registered business subjects belong to the municipality and only 701 is active among them.

So, in the national economy of our country, the dominant is private sector, but it’s still ineffective and the result of it is rough mistakes, made during the privatization process. With the creation of new layer of proprietors with the privatization of state property, new organizational and production structure is formed. It’s an opportunity to increase economic efficiency.

Table 1

A number of business entities, registered in Georgia according to the property forms

Forms of property	Number of entities	active	%
In total	652046	172532	100
Private individuals	642056	168463	98.5
Private individual-citizen of Georgia	613347	160597	94.1
Foreign private individual	23035	5704	3.5
Private mixed	5674	2162	0.9
state	6063	2910	0.9
municipality	1922	701	0.3
Other types of property	2005	458	0.3

Source: national statistics office of Georgia 2017

So, in the national economy of our country, the dominant is private sector, but it's still ineffective and the result of it is rough mistakes, made during the privatization process. With the creation of new layer of proprietors with the privatization of state property, new organizational and production structure is formed. It's an opportunity to increase economic efficiency.

In terms of efficiency of management of state enterprise, studies have shown that, only 1 % from the state enterprises is in as so called "good condition", 24 % are in one step lower level ("notable"), most of them - 75 % have a very difficult financial condition and/or they're not engaged in entrepreneurial activities at all.

To study the existing situation in Georgia and its analysis clears up that, it is impossible to increase productivity and profitability of state enterprises without the development and using in practice the principles of strategy, clear vision and

corporate management. This is the base point and basis for the provision of efficiency of management system of enterprises. Due to the disorder of the management system in Georgia, governance practice is not unified (each ministry has its own approach and they're not working for the implementation of the best model). The information on activities of enterprises is not complete and aggregated, the coordination between agencies and ministries is complicated, which hinders to make decision on time and also it hinders modern corporate governance.

Autonomous Republic of Ajara is one of the most interesting example in terms of privatization and property management of state between the regions of Georgia. In accordance with the data of Ministry of Finance and Economy of Autonomous republic of Ajara, in 2014 year, 38 objects were privatized and 28 were leased, in 2015 year, 42 – were privatized and 38 – leased, in 2016 year – 43 objects were privatized and 20 – leased. The positive process is multitude of the facts of leasing, because from the revenues point of view, lease is much more profitable for the region and at the same time, the main purposes of transition economy is carried out to release the state budget from subsidy, non-qualitative economic functions.

The effect of privatization is also high in terms of raising the living standards of population, it's natural that direct foreign investments, except for the financial resources, brings in the country entrepreneurial experience of the developed countries. Material-technical base gives an opportunity to normalize intellectual resources, experienced staff flows, local labor force is trained in accordance with modern standards, which promotes to improve the qualification of the personnel and all these can be considered as an important opportunity of privatization. But, when we speak about the income, got from the privatization, it's natural that we should discuss the threat, what is accompanied by a large amount of cash flows in the country – the risk of rising the inflation level, because if productive economy is not

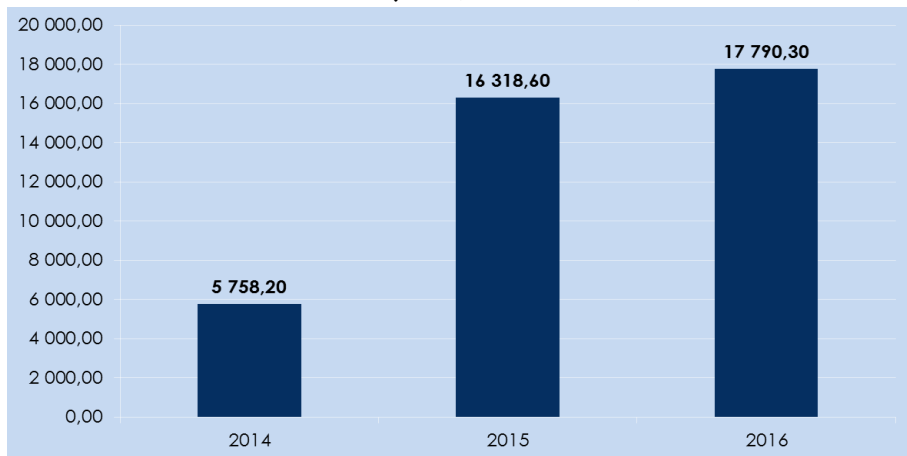
developing in parallel, to pay the amounts only in the field of service, causes its devaluation and this is natural too, because, in this case, the deepening of the amount with the means of production isn't done.

On N2 diagram, it's presented the incomes, got from the privatization in the Autonomous Republic of Ajara in 2014-2016 year. Incomes are characterized with the trends of growing and by 2016 year, it's equalized to 17 790 300 GEL, or compared with 2014 year data, 240 % growth is fixed of the incomes, got from the privatization.

It's notable the fact, that the material effect of privatization, especially social effect is not revealed during the privatization, it is long-term process and accordingly on the one hand, we can suppose that the conditional factor of the similar growth of incomes of 2016 year is the completion of the projects of privatized objects in previous years.

Diagram 2

The incomes, got from the privatization in the Autonomous Republic of Ajara in 2014-2016 years (A thousand GEL)



Source: Ministry of Finance and Economy of Autonomous Republic of Ajara

<http://adjara.gov.ge/>

Despite of the fact, that the incomes, got from the privatization is characterized with growth trend, it's still noticeably low in the overall structural of budget of Autonomous Republic of Ajara and it consists only 8 %. The basic part of the budget – 84 % is filled through the taxes, what is a heavy burden for the population. We agree with the opinion that, the government of the country has levers in order to regulate economic processes, and through them, it effects on the economy. Among them, it is distinguished the taxes, which is one of the basic source of mobilization of required financial resources for the existence of the state, but it should not be the only means of budget formation, however, they still have an important role in the formation of state budget.

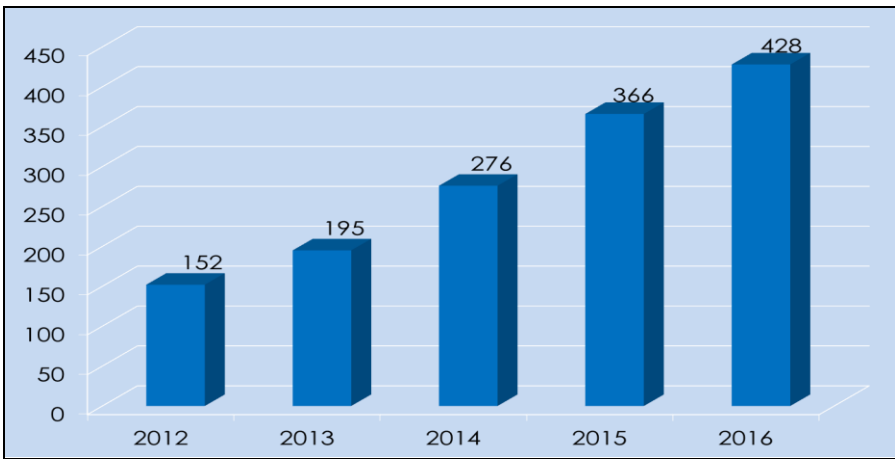
We consider, that state needs to maintain balance and to determine the right limit, not only in terms of privatization of the field, but also in terms of filling the budget with incomes and taxes, got from it. That's why, it's outlines once again the necessity of planned transition economy and getting the private sector healthy, what promotes to increase the productivity in the country and to activate various fields. Socially responsible business sector will be formed, the interests of which will be oriented not only on the economic results, but also it will improve the level of education in the country, it provides to take environmental measures and also it will create healthy working environment. What is a prerequisite to move from the rails of developing countries to the rails of developed countries.

In the economic development of country and region, in particular, in formation of value added and in creation of work places, a great importance has to carry out both, foreign and local investments and stabile/attractive investment environment. In 2016 year, on the territory of autonomous republic of Ajara, 428 million US dollars investments were made in total by the private sector, and 71 % of it consisted of foreign investments. The below given diagram confirms once again

that the formation of private sector in the region is going in the right direction, for the last four years, from 2012 year till 2016 year, the investments, carried out by the private sector increased nearly three times. Despite of this, there`re still defects, what needs to be changed, among them, one of the most important issue is that a great part of Georgian businessmen is not oriented on accumulation of capital and they govern the business only with the “today`s” principle, and the decisions made by them, is based on intuition and not on the rational discussions, what is revealing of low level of management. That`s why, we think that it`s necessary to increase managerial skills and to work out the strategic mechanism of management.

Diagram 3

Dynamics of investments, carried out by the private sector (in the Autonomous Republic of Ajara) million US Dollars



Source: Ministry of Finance and Economy of Autonomous Republic of Ajara

<http://adjara.gov.ge/>

Investment activity, implemented in the region, is important to be analyzed in several directions, including in the context of economic sector, countries and self-governing units. In 2016 year, the investments, made by the private sector according

to the economic sectors, were distributed as follows: Energetics 45.5 %; Tourism – 31.6 %; Construction- 20.8 %; agriculture – 0.2 %. Industry – 1.4 %; other sector – 0.5%. As for the sectoral distribution of the whole foreign investments, in this regard the largest investment flows come from the energetics (64.5 %) and Tourism (33.0%) sectors.

The mentioned tendencies is noteworthy, because it's very scarce the investments in terms of agricultural and the hindering factor of it is considered unregulated land registration system and the existing situation of the land market, these defects don't give the opportunity to create complete cooperatives, to regulate irrigation system and to have a peasant the relevant techniques to cultivate the plot of the land.

As for the foreign investments, according to 2016 year data, most of the investments in the region is in Norway/India (48.7%) and Turkey (44.9 %). According to the territorial units, from the volume of implemented investments, leader is self-governing city Batumi (53.3 %). The second position has Municipality of Khulo (17.4 %) and the third position has Municipality of Shuakhevi with 17.2 %. The mentioned result is stipulated with the existence of tourist zones in concrete municipal units and accordingly to take investor's interests to invest their financial funds in strategically profitable activity. As it follows, we think that it's advisable to divide the list of privatization objects in zones according to geographical location during the privatization process, where tourist zones will be separated out as a separate item and it will be worked out special privatization conditions, in which we mean to use the right of lease or build and not selling. The cost value of portfolio of state investment-infrastructure projects, which is going or has already been completed on the territory of autonomous republic of Ajara, according to 31st of December 2016 year, consisted of 248.5 million GEL and the main part of it – 51 % -

is for the improvement of road infrastructure, after that is construction and rehabilitation of water supply and sewerage systems – 11 %, next is construction and rehabilitation of educational, cultural and sport institutions – 10 %, health and social protection – 6 %, environment protection measures – 5 %, cleaning and waste management – 3 %, support for rural development- 3 %, and others 11 % is for other infrastructural events. According to 31st of December, 2016 year, 81 % of financing sources of state investment-infrastructural projects comes from the allocated funds from the budget of different level (state, republican, local) and 19 % - is for international financial institutions (Asia development bank – ADB, Eurobank – EBRD, World bank – WB) and on other financial support mechanisms. 39 % of the state investment-infrastructural projects is for the self-governing city Batumi, 31 % - Kobuleti Municipality, 11 % - Khelvachauri Municipality, 5 % - Khulo Municipality, 5 % - Keda Municipality, 4 % - Shuakhevi Municipality and others 5 % is for common regional projects.

The regulation of privatization infrastructure needs to take effective measures, including:

- To severe the monitoring of contractual terms during the privatization process;
- To create stabile environment, in both, policy and legislation, social tension and turbulence prevents the normal process of manufacturing;
- To regulate and strengthen the measures of properction of property right;
- To prepare the property for privatization, in Georgia, privatization was often implemented till restructuration, what is unallowable for us;
- In terms of creation of organizational-methodological base, a great importance has “the inventory of state property” by the Georgian government;

- It's important intensive labor work by the new management in order to increase the competitiveness of enterprises;

In the third Chapter of the work - **“the role of the real estate, as the role of ownership element in the development of Georgia's economy”** – it's discussed Availability of the land, as the main object of the ownership and the problems, related to it, International experience of the management of the real estate and the opportunities of formation of land market, arrangement measures of property relations related to the real estate.

During the regulation of legislative issues of formation of land and real estate market, a great importance is given to the legislative base, by which is regulated civil relations, related to the above mentioned issue and it causes the feeling of justice in population and this increases the dynamics of registration of real estate.

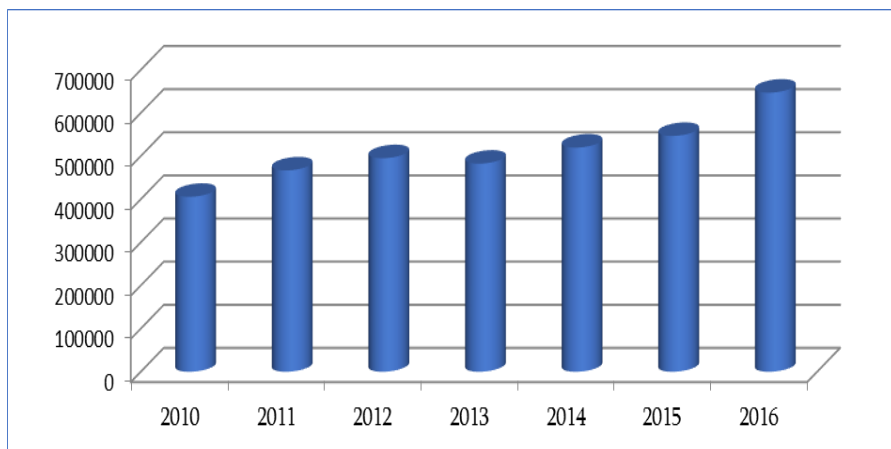
Data of the national agency of public registry, related to the registration of the real estate is represented in the form of diagram from 2010 year till 2016 year. It should be noted that, the results are positive from the registration point of view and it's caused with the rising of awareness in customers and also with the simplified procedures of registration.

In case of complete registration of the land, Georgia will be given an opportunity to get an important economic benefit. It'll be provided formed and protected property right, and after that, the improved possibility of mortgage gives the green light to flow the financial resources, and the development of land market, creates:

- The possibility of consolidation of small plots;
- The opportunity to grow successful farmers and investors;
- The opportunity to carry out a large-scale agricultural projects. To ensure the implementation of rural development policy.

Diagram 4

Dynamics of registration of real estate in Georgia in 2010-2016 years



Source: National agency of public registry <https://napr.gov.ge/>

Existing in use of one farming is 17.4 hectare, number of employees in the agriculture is 5 %. One farming of the United States of America provides an average 126 residents with food. In Germany – 144 residents, in European Union countries – 51 residents and in Georgia, considering the real volume of value added, one person, employed in agriculture, couldn't feed even himself. In USA, average size of cultivable agricultural land, used by one farming is 190.2 hectare, in Germany – 30.3 hectare, in European Union countries – average 17.4 hectare and in Georgia – 1.5 hectare.

The lack of land in Georgia and the reform of land, implemented unthinkably at that time, make the situation even more complicated, more than 90 % of the population has only 0.5 hectare agricultural lands in ownership, the working on which is unprofitable and ineffective. It should be noted that, on the area of land, which is 0.5 hectare is practically excluded to introduce concrete progressive

technology, to use mechanization and other means in order to increase labor productivity. This category of farmers is oriented on self-provision and thus, here the marketability level of production will always be low.

According to data of 1st October, 2014 year, in accordance with the average area of agricultural land, existing in private ownership, the largest farm economies are in Kakheti (3.6 hectare), Samtskhe-Javakheti (2.2 hectare) and Kvemo Kartli (1.8 hectare).

According to the structure of land fund, in the Autonomous Republic of Ajara, agricultural cultivable lands are 76.9 hectare, which is only 26 % of the whole fund,

Shrub-forest is 186.9 hectare and others are 30.7 hectare. 27.9 thousand hectare is registered into ownership from the agricultural lands, which is 36 % of the whole agricultural lands. Accordingly, the cultivable lands remained without registration consists of 64 %. From the agricultural lands, registered into ownership, on physical individuals or who is directly related to the agricultural production is only 45 %, which is 12.6 hectare. 11.7 thousand hectare is registered into the ownership of state (42 %), 10 % - in the ownership of autonomous republic, which consists of 2.8 hectare. 3 % is in the ownership of municipalities, legal entities of private law and others, which is 0.8 hectare.

Land reform is the combination of legal, economic, technical and organizational events, which radically changes land relations. Different kinds of forms should be developed on the basis of reform, to make the distribution of land in order to ensure the development of different forms of property and farming, to enhance ecological needs, land use and protection cases, the legal rights of land user must be protected. The main aim of conducting these measures is to form the

relations of new land, which ensures painless transition on market economy and to interest the producer with the final results of production (Butskhrikidze 2007:25).

The fact is that, the land reform made in early period couldn't bring the result for our country, what is meant under the classical meaning of land reform. We think that, the incomplete results are caused by improper conduction of the land reform. While the first stage means to create local, regional and republican land reform commissions, to define the lands of state property and reform funds, instead of all these, at the initial stage there was an elemental privatization in order to facilitate the existing social background in the country and the negative results of it we have till now. On the second stage, it was omitted to register the legal rights for owners, actual transfer of land to the land owners was done, in most cases, owners could not made an official declaration of the mentioned plot of land. The most noteworthy is the third stage, which means to determine the price of the land and to form land payment, we've problems at this stage too, because the nominal value of the land was not determined by the state. Non-existence of the land market and under the condition of unavailability of the relevant information, under the nominal value of the land was meant only the estimated value and operating was done with optional categories.

The wrong conduction of the land reform brought many unfavorable results and its correction needs great effort and costs, in particular:

- It's problematic to determine the total area of the lands, existing in private and state ownership;
- At the initial stage, the non-existence of improper registration and wrong accounting, regulations and procedures, caused that it's impossible to determine the boundary lines between state and private lands;

- The agricultural and land categorization is not done in accordance with the destination and this trend is still going on;
- Only land owner was responsible for the quality of the land measuring, which caused the problems in terms of arising the plots with boundary territories;
- The land was fragmented, which prevents to use agricultural land for commercial purposes;
- The problem is voluntariness of the registration of the land, citizens don't have the obligation of land registration, this is fully depended on their desire and will.

The land is non-resumption and basic resource of the country, that's why in all countries, the relations related to the land is specially regulated, united norm of regulation must be created, in which will be collected all the law, which regulated the ownership, use and disposal of the land, also the relations related to the registration of land right, land arrangement, with changing of land purpose.

We believe that, in any case (and not only during the conditional auction), it should be mandatory to work out the plan of land arrangement and development by the buyer. It's unequivocal that the privatization mechanism of the lands needs the improvement, during the working out the policy, it's necessary to foresee maximally not only the local characteristics of the country, but the international experience as well, in order the policy of land management would be carried out effectively and the interests of all parties, who are involved in the process, would be protected.

Land, as economic-legal object and the development of land market for whole society of Georgia and for production activity, has a decisive importance, because it takes a form, of commodity and it becomes an object of buying and selling. Land owner has to sell the real estate in special cases, which isn't easy to achieve in Georgia's reality. Basically, land owners sell the lands in order to get single economic benefit, what loses the land entrepreneurial function. This makes even more complicated the

existing problem of fragmentation. According to the urbanization process, the migration process of population from the high mountainous areas grows the number of population in the city, and the result of it is to change the land from the status of agricultural to non-agricultural and in high mountainous regions, the land loses its function and remains uncultivated.

One of the effective mechanism for the development of the land market is considered to work out the model of land exchange, by sharing the experience of American companies. The owners of land exchange in America are the private individual/individuals, where the territorial units of the land is presented for rent, sale, lease according to states and several exchanges are functioning. (for example: Souther Land Exchange, Iowa Land Company – LandWatch™).

In such a small country as Georgia is, we think that the development of the land exchange promotes to increase the land productivity and to grow the income. The above mentioned system means to work electronic model as well, where the customer will be able to make statements in online regime related to the land buying, selling or leasing. But for this, first of all, it should be regulated the problem of land registration, the state must accurately describe the property at its disposal and to create its orthophoto gallery. Land exchange will help the citizens of Georgia and tourists to find easily investment and resting object, land for sale, hunting territories, to take part in the land auction, to create the large farming, which will make easy the organizational improvement process of enterprises.

Considering the existing situation in terms of protection of property rights and proprietary relations in Georgia, we think that, the formation of the model of land exchange, at the initial stage, must be taken by the state itself, because, despite of the implemented reforms, the existing private sector in our country still doesn't have a force to carry out this kind of large scale project with its own initiatives and expenses,

which first of all, requires high qualification and good knowledge of the field, also it should be noted low tax and legislative culture of business sector.

The main goals of the land exchange can be set as follows:

- To promote the rural and agricultural development, what will be the prerequisite to implement modern irrigation and land processing techniques;
- To eradicate the poverty in rural areas, the development of agriculture will increase the income level in population and it'll help to overcome the poverty;
- To stop the migration of the village population, it should hereby be noted that in this regard, important changes have been made with the rural development support program, worked out by the Georgian government;
- To increase the productivity of agricultural production, to improve the competitiveness and to increase the profitability, to develop the national economy.
- To develop mountain tourism.

In order to achieve all of these, it's necessary to carry out labor intensive and long-term measures, what first of all serves to increase the awareness level of population, because the population has an alienation in regard to land cultivation and economic benefit, got from it, state must work out the special program, which ensures to train the high-quality personnel, who will directly meet the representatives of village, population and they'll help them to get knowledge, it will have systematic nature and it won't a single event.

One of the actual problem during the formation process of proprietary relations is named low culture of ownership, possession, disposal and usage. In this latter, it's meant the owner's dependence toward the declared property by him and towards the state structure. The attitude of each owner and their action determines to form and develop the phenomenon of property. all of this itself includes the combination of

owner's rights and obligations, the content of which should be equally understood by both, owner and state as well.

There're many regulating forms about property and proprietary relations, which can be classified in the norms of general and concrete nature. To know the general norms is necessary in order to develop the social life, to create social responsibility and views. The mentioned task has a special importance in Georgian society, who has a problem to perceive the state and citizen as two institutionally different element of one whole and not as they really discuss them. As for the concrete norms on property and proprietary relations, they're directly connected with the current changes in the field.

We think that, the phenomenon of property right, except for the legal and economic factors, consists of social aspects, which serves to create the social goods. The owner must realize that the supervision of his disposal property is the field of interests not only his, but the property, rationally used and realized by owner is one of the significant component of the state development. Evolutionary reform is often ineffective, that's why we think that it's necessary to take radical measures, it's possible that at first it should cause anxiety and dissatisfaction of society, but its economic benefit will be so great that it'll be able to balance it.

Privatization, especially one of the basic demand of the land should be the necessity of using the objects, transferred to private ownership, otherwise it provides a significant commitments.

During the research process on these issues, hundreds of respondents were questioned, through the direct contact with them, including the interview, The first question how it's advisable the necessity of property registration, 87 % of interviewees answered that property registration must be the essential condition, 4 % thinks that it's not necessary and 9 % considers that this kind of approach can be used only on concrete territorial unit.

The second question directly refers to the responsibility and obligations, which must be felt by the owner, not only towards the property which he had, but towards the state as well. On the question, what kinds of sanctions can be used by the state in case of uncultivated / neglected plot of the land, 15 % of interviewees answered that the fine can be monetary in the amount of nominal value of the land, 20 % thinks that in case of repetition the neglect fact sequentially twice, the state must take the property away from the owner. And 65 % of respondents think that the existence of penalty isn't necessary. This result of the study underlines that, our society has not understood yet, the individual's, as the owner's responsibility and obligations.

On the third question, does it simplify or not the existence of land exchange the process of selling and buying of the land, 55 % of the interviewees answered that the procedure will be simplified because the use of intermediaries won't be necessary during the buying and selling process, what is related to the excessive expenditure. 23 % thinks that the situation has not been changed in this way and 22 % of respondents have a pessimistic attitude towards this issue and considers that, the creation of land exchange becomes the situation even more chaotic, because the citizens will have difficulties to get the rules of exchange. We think that, such attitude is caused by the conservative views of our citizens and with vague ideas about the land exchange.

The forth question is derived from the economic content of the land. On the question, is the land economic asset and how is it possible to create living minimum by its cultivation, only 51 % of respondents answered positively. We think that to increase the productivity of the land, to create the cooperatives and to use the globalization possibilities properly, what means to describe the farming with modern technologies, gives an opportunity to the peasant to earn the income not only seasonally, but for the whole year as well.

From the discussed issues, some problems can be separated out:

- The population is not aware of the content and meaning of the property, for this the society itself requires strict levers from the state for the regulation of its legalization.
- Low level of awareness of population, population doesn't understand in the relevant demands and procedures of property registration;
- In a great part of the population, there's still not only the basic approach but socialist views as well;

Conclusions and suggestions

The basic provoke for the development of country's economy and for its stabile functioning is to regulate the proprietary relations and to protect the property right. Internal and external factors influence on the formation of property forms or types. In order to achieve the best result, it's necessary to foresee a number of directions, among them, we consider that the most important are:

1. Property right belongs to the number of natural rights, which create the basis of democratic state. It is the basis for the decent life of every individual and at the same time, it's the prerequisite for the development of market economy, civil turnover and entrepreneurial relations;
2. We separate out several basic reasons of specificity for the process of transforming the administrative-imperative economy to the market system:
 - The process of property transformation in Georgia began under the conditions of non-existence of proper institutional arrangement and legal base;

- At the beginning of the reforms, the old system of management of economy practically ceased the existence, so that the theoretical foundation of market economy didn't exist;
- In order to create the normal conditions for the maintaining the state and for its economic reforms, it was necessary the institutional formation of managerial structures, what was not able to be done on time;
- Internal and external economic connections were removed, it followed the removal of traditional fields and the removal of the main means from the manufacturing process;

3. In Georgia, where the main goal was the dismantling of socialist public systems and the establishment of market system, during the transformation, new economic relations were gradually formed, what promoted the development of private sector. Georgia, in the footsteps of transition economy, chose the radical approach, what means an uninterrupted distribution of property right. The development of global market arose the necessity of service with global products.

4. Under the conditions of global economy, the countries achieve the success, which are able to achieve a synergistic effect between technology and capital. Georgia should increase its participation in global production and selling networks. In high-technological and specialized fields, it's advisable to create alliances with global companies, for which, it's necessary to pass the preparatory stage, what means to improve the infrastructure, to form the phenomenon of property and to create an institutional environment;

5. Effective privatization stipulates to increase the productivity, to strengthen the competition, what finally causes to increase the effectiveness of the country. One of the advantage of the privatization is considered that, it creates competitive

environment, what ensures to increase the production and to protect the market from the monopolistic influence of the state structures;

6. The purposes of privatization in the country were somehow implemented, but it had contradictory character, which was expressed in the footsteps of separating the concrete stages of privatization. The stages of privatization in Georgia can be divided in a several way:

- One of them is voucherization, according to it three stages are separated out: privatization before the voucherization period, the stage of voucherization of privatization, post-voucherization period.

- And in accordance with the scales of privatization, three stages can be separated out: the first stage was carried out in 1993-1996 years and it included massive privatization of small enterprises, the second stage includes the period from 1997 year till 2002 year, at this stage great process of privatization was implemented, what meant the privatization of enterprises. After 2003 year, in the field of privatization, new, so called “aggressive privatization” began, which was often called as “cabinet privatization”. Since 2012 year, when the advantage was given conditional and purposeful privatization, the speed was significantly hindered.

7. In Georgia, aggressive stage of privatization was carried out with alienation of such property, which under the conditions of modern management could effectively be functioned. New proprietors could not manage the property effectively and with it, they stipulated the sharp decline of industrial, agricultural and scientific potential.

8. The amendments, made in the legislation, regulating the privatization process, made for the recent years, were directed to increase the number of objects, which were subject to privatization, what means to increase the income in the budget. The amendments made is not systematic and they aren't based on public consensus, accordingly, it failed to develop the economy.

9. It's still problematic the issue of public access on the information, related to the privatization process and property right.

10. Georgia's economical and political growth is much more depended on the development of small and medium enterprises. The enterprise activity gets the basis from the development of private directions of small and medium business;

11. To study the existing situation in Georgia and its analysis clears up that, it is impossible to increase productivity and profitability of state enterprises without the development and using in practice the principles of strategy, clear vision and corporate management. This is the base point and basis for the provision of efficiency of management system of enterprises. Due to the disorder of the management system in Georgia, governance practice is not unified (each ministry has its own approach and they're not working for the implementation of the best model). The information on activities of enterprises is not complete and aggregated, the coordination between agencies and ministries is complicated, which hinders to make decision on time and also it hinders modern corporate governance.

12. In Georgia, it's outlined the necessity of the planned privatization;

13. The issuing process of registration cards got a massive character. Finally, many defects are found out in the registration cards, issued to populations, and its correction must be carried out now within the current land reform:

- In most cases, it's impossible to find out the documents, identifying the right, indicated in the accounting card;
- Accounting cards have been drawn up imperfectly and with significant defects, in particular, they're not signed and sealed by the registrar, identification data is indicated incorrectly or they're not indicated at all;

- Cadastral data of the plots of the lands, registered systematically, is not correct and it doesn't correspond the boundaries of the plots of the land, which are actually occupied and that's why, their usage is not appropriate during the registration;

- To determine the exact area of spreading of this right by the registration authority, is impossible without going to this place, location of boundary plot of lands, study the documents, identifying the right and without interviewing the owners;

14. In order to direct the land registration effectively, it's necessary that the state and the owner analyze the legislative changes and their powers, related to the land registration well, in particular:

- The role of municipality under the authority of registration body during the process of origin of property right on the land;

- The importance of mediation, as an alternative mechanism of solving the dispute, law of Georgia "on the Improvement of Cadastral Data and the Procedure for Systematic and Sporadic Registration of Rights to Plots of Land within the Framework of the State Project" has been enacted since the first of August, 2016 year. The mentioned law foresees to simplify the procedures of registration of the real estate and to protect the property rights of citizens. In this process, notaries are actively involved. In order to solve the disputes arising during the property registration, citizens can address to the mediator notary. The service of the mentioned notary is free and it significantly simplifies to the parties to solve the disputes.

- The constataion of the facts, as the possibility to evaluate the actual situation of the land;

- Towards the owner of the document, certifying the right, the commission, determining the fact of property, its rule of activity and framework of authority

15. As a result of incorrect policy of land administration, nowadays, it's impossible to determine where goes the border between the state and private owner at

the level of self-government, between the state and property of the local self-government, what is an impediment factor for the business development. It's difficult for the investors to determine the owner on many interesting objects;

16. Nowadays, the most problematic issue throughout Georgia is arbitrarily occupied property, building and land, what significantly impedes the development of private enterprise activity and the process of privatization. We think that to encourage these processes is done with political motives.

17. For the purpose of coordinating buying and selling of the land, it's necessary to form the land exchange, which promotes and simplifies the relation between the landowners. During the regulation of legislative issues of emergence of real estate and land, the primary importance is given to the legislative base, by which it's regulated civil relations, related to the mentioned task and it grows the registration dynamics of the real estate.

18. One of the actual problem during the formation process of proprietary relations is named low culture of ownership, possession, disposal and usage. In this latter, it's meant the owner's dependence toward the declared property by him and towards the state structure. The attitude of each owner and their action determines to form and develop the phenomenon of property. all of this itself includes the combination of owner's rights and obligations, the content of which should be equally understood by both, owner and state as well. We think that, the process of privatization at the legislative level, should have the concrete obligations of owners about rational use of the object.

19. The process of privatization should create the solid foundation for the business globalization, including, with the consolidation of the national and foreign investments for the development of transnational companies.

20. The formation of effective infrastructure of proprietary relations is significantly based on the deepen of intercompany interaction between the state and business and on the rapid coordination of the relevant processes. From our point of view, in this regard, a significant important is given to work out the mechanism of high engagement in global processes, which will be adjusted on national interests of economic policy and strategy.

The main provisions of the dissertation work are reflected in the works, published by us:

1. “some problems of privatization of state property in the Autonomous republic of Ajara” – magazine “innovative economy and management” N3, Batumi 2016; ISSN: 2449-2418 E-ISSN: 2449-2604.
2. ON THE ISSUES OF THE STATE OWNERSHIP AND PHENOMENON OF PRIVATIZATION; GLOBAL INTERNATIONAL SCIENTIFIC ANALYTICAL PROJECT(GISAP); Published by IASHE London 2016, ISBN 978-1-909137-96-7.
3. THE ETHICAL AND WORLDVIEW TENDENCIES OF THE DEVELOPMENT OF THE MARKET ECONOMIC SYSTEM; GLOBAL INTERNATIONAL SCIENTIFIC ANALYTICAL PROJECT(GISAP); Published by IASHE London 2016, ISBN 978-1-909137-96-7.
4. CAPITALISM AS A DEVELOPMENT FACTOR OF PRIVATE OWNERSHIP FOR EFFECTIVE ORGANIZATION; INTERNATIONAL RESEARCH CONFERENCES ON THE PROBLEMS OF SOCIAL-ECONOMICS DEVELOPMENT AT THE PRESENT STAGE AND SOLUTIONS, National Institute of Economic Research(Batumi, Georgia) 2016.
5. “Some of the Moral and Ethical Aspects of Management” - MATERIALS of the III International scientific-practical conference "INNOVATION

MANAGEMENT AND TECHNOLOGY IN THE ERA OF GLOBALIZATION" 12-14 January 2016, (Sharjah, United Arab Emirates).

6. "Team building within organization and the best alternative choosing problem"- XXVII International Conference, PROBLEMS OF DECISION MAKING UNDER UNCERTAINTIES (PDMU-2016). TBILISI-BATUMI, GEORGIA.
7. "On collaboration forms between private ownership and the market economic system" – XXVIII International Conference, PROBLEMS OF DECISION MAKING UNDER UNCERTAINTIES (PDMU-2016). BRNO, CZECH REPUBLIC
8. "The role of social-ethical factors in the effective functioning of business organization"- issues of social-sciences VIII collection of works. Publishing house "Universal". Tbilisi 2015.