

**LAW OF GEORGIA**  
**ON LEGAL ENTITIES UNDER PUBLIC LAW**

**Chapter I - General Provisions**

**Article 1 – The scope of the Law**

This law determines the rules of establishment, procedures and organisation of a legal entity under public law (LEPL).

**Article 2 – The concept of the legal entity under public law**

1. A legal entity under public law is a separate organisation from legislative and state government bodies, established under an appropriate law, an ordinance of the Government of Georgia or an administrative act of a state government body based on law, which independently carries out political, state, social, educational, cultural and other public activities under state control; it is also a separate organisation from state government bodies, established under a normative act of a supreme executive body of an autonomous republic, which independently carries out social, educational, cultural and other public activities under state control.

2. In Tbilisi, under a normative act of the local self-government representative body – Tbilisi Sakrebulo, a legal entity under public law may be established as determined by the Organic Law of Georgia - the Code of Local Self-Government.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 542 of 21 November 2008 - LHG I, No 34, 4.12.2008, Art. 221*

*Law of Georgia No 3973 of 10 December 2010 - LHG I, No 73, 23.12.2010, Art. 443*

*Law of Georgia No1016 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 1974 of 5 February 2014 - website, 19.2.2014*

**Article 3 – Legal capacity**

1. A legal entity under public law shall have a special legal capacity in order to achieve its intended objectives and exercise its assigned functions. It shall acquire rights and obligations, conclude agreements and be plaintiff or defendant in court on its own behalf.

2. A legal entity under public law shall be authorised to perform activities determined by an appropriate law, ordinance of the Government of Georgia and/or its own statute (regulations), unless otherwise provided by an appropriate law. If a legal entity under public law is established under an administrative act of a state government body, its statute (regulations) must comply with the requirements of the law under which the administrative act was adopted.

2<sup>1</sup>. A legal entity under public law – a higher educational institution shall be authorised to:

- a) perform educational, and scientific and research activities;
- b) perform publishing activities;
- c) sell the output produced in the course of educational, scientific and research activities;
- d) produce and sell the output (inventions and useful models) produced in the course of scientific research and laboratory activities;
- e) perform auxiliary entrepreneurial activities if so provided by its statute (regulations);
- f) perform other activities under an appropriate law, ordinance of the Government of Georgia and/or its statute (regulations), unless otherwise provided by an appropriate law.

3. The right of state control and supervision may only be delegated to a legal entity under public law if so provided by law.

4. Transactions not related to the scope of activities under paragraph 2 of this article shall be void. In this case a third person may not declare that he/she was unaware of the scope of the special competence of a legal entity under public law. Standards of good faith acquisition shall not apply to him/her.

5. A legal entity under public law may exercise state control over another legal entity under public law, and a legal entity under public law may be established under a legal entity under public law:

- a) in cases determined by law;
- b) within the system of the Ministry of Defence of Georgia, and of the Ministry of Education and Science of Georgia, in cases determined by an ordinance of the Government of Georgia.



*Law of Georgia No 5915 of 14 March 2008 - LHG I, No 7, 26.3.2008, Art. 35*

*Law of Georgia No 3660 of 12 October 2010 - LHG I, No 56, 20.10.2010, Art. 362*

*Law of Georgia No 4117 of 17 December 2010 - LHG I, No 75, 27.12.2010, Art. 473*

*Law of Georgia No 6433 of 12 June 2012 - website, 25.6.2012*

*Law of Georgia No 826 of 12 July 2013 - website, 5.8.2013*

*Law of Georgia No1016 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 2098 of 7 March 2014 - website, 14.3.2014*

#### **Article 4 - Structure**

A legal entity under public law may be based on membership (a corporation under public law), or may be established to achieve public or state objectives by privatising certain property of the state (of a relevant autonomous republic, if established by the supreme executive body of an autonomous republic) (an institution). The institution shall have no members.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

### **Chapter II - Establishment**

#### **Article 5 - Acquisition of legal capacity**

1. A legal entity under public law, as a person having the rights and obligations under this law, shall originate and acquire the status of a legal entity upon the approval of its statute (regulations) and appointment (election) of a person authorised to represent it.

2. A legal entity under public law may be established under:

- a) law;
- b) an ordinance of the Government of Georgia;
- c) an administrative act of a state government body, as directly provided by law;
- d) a normative act of the supreme executive body of an autonomous republic to resolve issues that fall within the authority of the autonomous republic;
- e) a normative act of the Tbilisi Sakrebulo as provided by law to resolve issues that fall within the authority of local self-government bodies.

3. A legal entity under public law may be established jointly by several state government bodies.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 542 of 21 November 2008 - LHG I, No 34, 4.12.2008, Art. 221*

*Law of Georgia No1016 of 6 September 2013 - website, 23.9.2013*

*Law of Georgia No 1974 of 5 February 2014 - website, 19.2.2014*

#### **Article 6 - Content of the statute (regulations)**

1. The statute (regulations) of a legal entity under public law must include:

- a) its name with indication of that it is a Legal Entity under Public Law;
- b) objectives, functions and its scope of operations;
- c) a procedure for the establishment of management bodies and their scope of authority;
- d) a procedure for the appointment (election) of a person authorised to represent the entity and his/her authority;
- e) the form and the scope of state control;
- f) the bases for financial activities, including the rights to demand contributions, membership fees and other actions;
- g) procedures and conditions of liquidation;



h) a procedure for making amendments to the statute (regulations);

2. The statute (regulations) of a legal entity under public law shall be approved under procedures determined by law.

### **Article 7 - Property**

1. To achieve its intended objectives and exercise its assigned functions, a legal entity under public law shall be transferred property from the State (by an autonomous republic, if established by the supreme executive body of an autonomous republic) or the procedure for forming the property of a legal entity under public law shall be determined under the act of its establishment.

2. The state property shall be transferred to a legal entity under public law as determined by the Law of Georgia on State Property.

2<sup>1</sup>. The procedure for transferring property of an autonomous republic to a legal entity under public law shall be determined under the legislation of the autonomous republic.

3. If the property of a legal entity under public law is formed using contributions or membership fees, which amounts and payment procedures must be specified in the act of establishment of the entity.

*Law of Georgia No 2033 of 28 March 2003 - LHG I, No 8, 14.4.2003, Art. 42*

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 6381 of 5 June 2012 - website, 15.6.2012*

## **Chapter III - Organisation, Activities**

### **Article 8 - Authority of members**

1. The highest management body of a legal entity under public law which is based on membership shall be a general meeting of its members. During the period between meetings the functions of a general meeting may be assigned to another body defined under the statute (regulations).

2. A meeting of members of a legal entity under public law based on membership shall, by the majority of members present, make a decision with respect to the statute (regulations), elect its management bodies and resolve other important issues regarding its activities. The meeting shall be duly constituted if attended by more than half of its total members.

3. Members of a legal entity under public law based on membership may on their own, determine the basic provisions of the entity's statute (regulations).

### **Article 9 - Activities**

1. A legal entity under public law may be established to achieve only those public objectives and functions, the implementation of which is beyond the authority of state government bodies.

2. If a legal entity under public law has fundamentally been engaged in entrepreneurial activities, an appropriate state government body shall be obliged to raise the issue of reorganisation or liquidation of the entity.

## **Chapter IV - Management, Representation, State Control**

### **Article 10 - Management and representation**

1. Procedures for managing a legal entity under public law shall be established under an appropriate law or an ordinance of the Government of Georgia (a relevant normative act of the autonomous republic, if established by the supreme executive body of an autonomous republic) and the statute (regulations) of this entity.

2. A legal entity under public law shall be managed by the Head who acts independently within the scope of an appropriate law, an ordinance of the Government of Georgia (a relevant normative act of the autonomous republic, if established by the supreme executive body of an autonomous republic), its statute (regulations) and decisions of its members (if the legal entity under public law is based on membership).

3. The Head of a legal entity under public law shall solely manage the entity. He/she shall also be vested with the obligation to represent the legal entity under public law, and shall be personally responsible for correct management of the entity.

4. The Head of a legal entity under public law established on the basis of state property shall be appointed and dismissed by the Prime Minister of Georgia, a state control body determined under law or an ordinance of the Government of Georgia; and the Head of a legal entity under public law which is based on membership shall be appointed and dismissed by a general meeting of the members.



4<sup>1</sup>. The Head of a legal entity under public law established under Article 5(2)(d) of this Law shall be appointed and dismissed by the supreme executive body of the respective autonomous republic.

5. The Head shall be incur personal responsibility for the property in the possession of the legal entity under public law and for meaningful and proper expenditure of financial resources..

6. In the cases and under the procedures provided by law, an administrative act or the statute (regulations), to manage a legal entity under public law, a supervisory body may be established to consist of the officials of an appropriate state government body, as well as of members elected by a general meeting and the staff members, if a legal entity under public law is based on membership.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No1016 of 6 September 2013 - website, 23.9.2013*

#### **[Article 10<sup>1</sup> – Appointment and dismissal of a head officer of a legal entity under public law established on the basis of the state property**

1. The head officer of a legal entity under public law established on the basis of the state property (except for legal entities under public law carrying out cultural, educational, scientific, research, sports or religious activities) shall be appointed by the Prime Minister of Georgia, a state control body defined by law or an ordinance of the Government of Georgia, or a supreme executive body of a respective autonomous republic, under an individual administrative-legal act.

2. To select a candidate for appointment to the position of a head officer of a legal entity under public law, a simplified public competition shall be announced on the website administered by the Legal Entity under Public Law – the Civil Service Bureau. In this case, 10 business days shall be allowed for the submission of an appropriate application, and the decision shall be made by an authorised person only on the basis of an interview with the selected candidates.

3. The head officer of a legal entity under public law shall be dismissed if:

a) his/her citizenship of Georgia is terminated;

b) a court's final judgment of conviction has entered into legal force against him/her;

c) a court has declared him/her missing, dead or a beneficiary of support unless otherwise determined under court decision;

d) he/she has occupied an incompatible position for him/her or carries out incompatible activities;

e) he/she has resigned;

f) he/she died;

g) during four consecutive months, he/she has failed to exercise powers defined for him/her by law, an ordinance of the Government of Georgia or the Statute (regulations) of the legal entity under public law;

h) he/she fails to appropriately exercise powers defined for him/her by law, an ordinance of the Government of Georgia or the Statute (regulations) of the legal entity under public law;

4. In the case under Paragraph 3 of this article, the head officer of a legal entity under public law shall be dismissed by an authorised official under a substantiated individual administrative-legal act. The act may be appealed to the court according to the procedure of administrative proceedings. **(*Shall become effective from 1 January 2017*)**

*Law of Georgia No 4380 of 27 October 2015 - website, 11.11.2015*

#### **[Article 10<sup>2</sup> – Appointment and dismissal of a deputy head officer of a legal entity under public law established on the basis of the state property**

1. A deputy head officer of a legal entity under public law established on the basis of state property (except for legal entities under public law carrying out cultural, educational, scientific, research, sports or religious activities) shall be appointed by an authorised person under an individual administrative-legal act.

2. To select a candidate for appointment to the position of a deputy head officer of a legal entity under public law, a simplified public competition shall be announced on the website administered by the Legal Entity under Public Law – the Civil Service Bureau. In this case, 10 business days shall be allowed for the submission of an appropriate application, and the decision shall be made by an authorised person only on the basis of an interview with the selected candidates.

3. The deputy head officer of a legal entity under public law shall be dismissed if:

a) his/her citizenship of Georgia is terminated;

b) a court's final judgment of conviction has entered into legal force against him/her;

c) a court has declared him/her missing, dead or a beneficiary of support unless otherwise determined under court decision;

d) he/she has occupied an incompatible position for him/her or carries out incompatible activities;



e) he/she has resigned;

f) he/she died;

g) during four consecutive months, he/she has failed to exercise powers defined for him/her by law, an ordinance of the Government of Georgia or the Statute (regulations) of the legal entity under public law;

h) he/she fails to appropriately exercise powers defined for him/her by law, an ordinance of the Government of Georgia or the Statute (regulations) of the legal entity under public law.

4. In the case under Paragraph 3 of this courtarticle, the deputy head officer of a legal entity under public law shall be dismissed an authorised official under a substantiated individual administrative-legal act. The act may be appealed to the court according to the procedure of administrative proceedings. **(Shall become effective from 1 January 2017)]**

*Law of Georgia No 4380 of 27 October 2015 - website, 11.11.2015*

## **Article 11 - State control**

1. A legal entity under public law shall be subject to state control, which implies supervision of the lawfulness, appropriateness, and efficiency of its activities, as well as of its financial and economic activities.

2. State control of a legal entity under public law shall be exercised by a state control body determined by law or an ordinance of the Government of Georgia, the Parliament, the Government of Georgia, or the State Minister (an appropriate government body of the autonomous republic determined by a relevant normative act of the supreme executive body, if established by the supreme executive body of an autonomous republic). These bodies shall have the right to require that materials and information necessary to implement control be submitted.

3. A state control body shall be authorised to suspend or annul a wrongful decision of a legal entity under public law.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 542 of 21 November 2008 - LHG I, No 34, 4.12.2008, Art. 221*

*Law of Georgia No 3973 of 10 December 2010 - LHG I, No 73, 23.12.2010, Art. 443*

*Law of Georgia No 1016 of 6 September 2013 - website, 23.9.2013*

## **Article 11<sup>1</sup> – Control of a legal entity under public law established by the Tbilisi Sakrebulo**

Control of a legal entity under public law established by the Tbilisi Sakrebulo shall be exercised by the Tbilisi City Government, which enjoys all rights of a state control body under this Law.

*Law of Georgia No 542 of 21 November 2008 - LHG I, No 34, 4.12.2008, Art. 221*

*Law of Georgia No 1974 of 5 February 2014 - website, 19.2.2014*

## **Article 12 - Activities that require approval**

1. A legal entity under public law established on the basis of state (an autonomous republic) property may perform the following activities with the consent of a state control body:

a) acquire, alienate and encumber immovable property;

b) take out loans;

c) be a surety;

d) determine the budget (except for the budget of an educational institution), the staff list and the payroll (except for the staff list and the payroll of a higher educational institution);

d<sup>1</sup>) determine the threshold of financial resources for material rewarding of employees, as well as the limits for fuel to be purchased and communication expenses to be incurred by a legal entity under public law (except for educational and scientific and research institutions);

d<sup>2</sup>) determine titles of positions and numbers of temporary personnel to be employed within state financing limits of a Legal Entity under Public Law within the Ministry of Education and Science of Georgia – general education institution;

[d<sup>2</sup>) determine roles and number of persons to be employed within state financing limits of a Legal Entity under Public Law within the Ministry of Education and Science of Georgia – general education institution; **(Shall become effective from 1 January 2017)]**

e) make other decisions regarding the property of a legal entity under public law if they go beyond the scope of ordinary activities.



2. To perform activities under paragraph 1(b-c) of this article, the consent of the Ministry of Finance of Georgia (a ministry within the financial field of the autonomous republic, if established by the supreme executive body of an autonomous republic) shall be required.

3. The refusal of a state control body to perform activities under paragraph 1 of this article must be justified. The refusal may be appealed to a higher state body and/or a court.

4. Legal entities under public law, annual income of which exceeds one million Georgian laris in addition to financing received from the state budget and which spend funds from the state budget, and/or legal entities under public law (except for educational or scientific institutions) that are under control of the Government of Georgia, the Ministry of Georgia and the State Minister shall be obliged to agree to an appropriate draft budget, the staff list and the payroll with the Government of Georgia.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 1350 of 26 June 2009 - LHG I, No 16, 7.7.2009, Art. 82*

*Law of Georgia No 3536 of 21 July 2010 - LHG I, No 47, 5.8.2010, Art. 310*

*Law of Georgia No 5654 of 27 December 2011 - website, 9.1.2012*

*Law of Georgia No 119 of 20 December 2012 - website, 30.12.2012*

*Law of Georgia No 2098 of 7 March 2014 - website, 14.3.2014*

*Law of Georgia No 2937 of 12 December 2014 - website, 24.12.2014*

*Law of Georgia No 4380 of 27 October 2015 - website, 11.11.2015*

### **Article 13 - Financing**

1. Source of financing of a legal entity under public law may be:

- a) membership fees and contributions;
- b) directed funds allocated from an appropriate budget;
- c) income received for fulfilling a state order;
- d) income received for performing work under agreement;
- e) other income permitted by the legislation of Georgia.

2. Funds and income under paragraph 1 of this article shall be fully used to carry out objectives and functions of a legal entity under public law determined by an appropriate law, an ordinance of the Government of Georgia (by an appropriate normative act, if established by the supreme executive body of an autonomous republic) and the statute (regulations), and as determined by the legislation of Georgia – the funds and income shall be used to develop the system of a state control body. The funds of a legal entity under public law may not be used for other purposes.

2<sup>1</sup>. Legal entities under public law within the system of a state control body may, in agreement with the state control body, transfer funds under paragraph 1 of this article to another legal entity under public law within the system of the state control body to achieve its objectives and exercise its functions.

2<sup>2</sup>. Based on an appropriate resolution of the Government of Georgia, a portion of a clear balance remaining in the account of a legal entity under public law referred to in Article 12(4) of this Law may be directed to the State Budget if an annual taxable profit of the legal entity under public law exceeds one million Georgian laris.

3. If a legal entity under public law is financed from the State Budget, it must be included in a relevant budget.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

*Law of Georgia No 1350 of 26 June 2009 - LHG I, No 16, 7.7.2009, Art. 82*

*Law of Georgia No 4320 of 9 March 2011 - website, 22.3.2011*

*Law of Georgia No 119 of 20 December 2012 - website, 30.12.2012*

*Law of Georgia No 1016 of 6 September 2013 - website, 23.9.2013*

### **Article 14 - Accounting**

1. A legal entity under public law shall be obliged to keep records and reports of its financial and economic activities, draw up balance sheets and submit them to an appropriate state control body for approval under procedures established by the legislation of Georgia.

2. An independent auditor appointed by a state control body shall inspect the annual balance sheet of a legal entity under public law.



## Chapter V - Termination of Activities Liquidation

### Article 15 - Grounds for termination of activities

A legal entity under public law shall cease to exist:

- a) when its intended objective is either achieved or is impossible to be achieved;
- b) if the time limit under the act of its establishment expires;
- c) in other cases provided by the act of its establishment or the statute (regulations).

### Article 16 - The act of termination of activities

The act of termination of activities of a legal entity under public law may not have less legal power than the act of its establishment. If this requirement is not observed, a legal entity under public law shall continue to exist.

### Article 17 - Liquidation

1. A legal entity under public law shall be liquidated by liquidators appointed by a state control body. A liquidator may be the Head of a legal entity under public law.
2. Liquidators shall carry out their activities according to the legislation of Georgia. Activities of the liquidators shall be limited to purposes of liquidation.

### Article 18 – Distribution of property left after liquidation

1. The property left after liquidation of a legal entity under public law established on the basis of the state property shall pass into ownership of the state.
  - 1<sup>1</sup>. The property left after liquidation of a legal entity under public law established on the basis of an autonomous republic property shall pass into ownership of the autonomous republic.
2. The property left after liquidation of a legal entity under public law based on membership shall be disposed of under procedures established by the act of establishment of the entity.

*Law of Georgia No 1131 of 22 March 2005 - LHG I, No 13, 12.4.2005, Art. 81*

## Chapter VI - Transitional and Final Provisions

### Article 19 - Operation of this Law in time

1. This Law shall apply to all legal entities under public law within the scope of its regulation irrespective of time of their establishment.
2. If there is a conflict between the provisions of this Law and of a special law that regulates activities of a legal entity under public law, provisions of the special law shall apply.
  - 2<sup>1</sup>. Provisions under this Law shall apply to legal entities under public law established by the Tbilisi Sakrebulo, unless otherwise provided by the Organic Law of Georgia – the Code of Local Self-Government or by a special law.
3. The property of a legal entity under public law established before this Law entered into force on the basis of state property may be alienated or otherwise encumbered under procedures established by the legislation of Georgia on alienation or other encumbrance of the state property.

*Law of Georgia No 542 of 21 November 2008 - LHG I, No 34, 4.12.2008, Art. 221*

*Law of Georgia No 1974 of 5 February 2014 - website, 19.2.2014*

### Article 20 - Entry of this Law into force

This Law shall enter into force on the 15<sup>th</sup> day after promulgation.



President of Georgia

Eduard Shevardnadze

Tbilisi,

28 May 1999

№2052-IIS

