

*(Published in
Legislative Herald of Georgia
1999 – No. 20(27))*

LAW OF GEORGIA ON LEGAL PERSON OF PUBLIC LAW

Chapter I General Provisions

Article 1. Scope of Law

This Law establishes rule of creation, functioning and organization of a legal person of public law.

Article 2. Concept of Legal Person of Public Law

A legal person of public law is an organization separated from the state bodies, created by the relevant law, enact of the President of Georgia or by the administrative act of state bodies, adopted on the basis of law, which conducts political, state, social, educational, cultural and other public activities.

Article 3. Capacity for Right

1. A legal person of public law has special capacity for rights for accomplishment of objectives set and functions undertaken. It acquires rights and duties in its own name, makes transactions and can sue or be sued.
2. A legal person of public law is entitled to engage in an activity prescribed by relevant law, provided for in the edict of the President of Georgia or/and in its charter (regulations). If it is established by the administrative act of a state body, its charter (regulations) shall comply with the requirements of the law on the grounds of which the administrative act has been adopted.

3. Transfer of the right of state control and supervision to a legal person of public law may be allowed only in the cases prescribed by law.
4. Transactions, which are not related to the activities determined by the 2nd paragraph of this Article, shall be void. In this case, a third person cannot indicate that they were unaware of the scope of special capacity for right of the legal person of public law. The norms of acquisition in good faith shall not apply to him.

Article 4. Structure

A legal person of public law may be based on membership (corporation of public law) or created by allocation of certain state property for accomplishment of public or state objectives (institution). Institution shall have no members.

Chapter II. Establishment

Article 5. Acquiring Capacity for Right

1. A legal person of public law, as a subject of the rights and duties of this Law, shall be established and acquire the status of legal person after approval of the charter (regulations) and appointment (election) of the person authorized to represent the legal entity.
2. A legal person of public law may be created by:
 - a) the law;
 - b) the edict of the President of Georgia;
 - c) the administrative act of a state body, in case expressly stated by law.
3. A legal person of public law may be established jointly by several state bodies.

Article 6. Contents of the Charter (Regulations)

1. The charter of a legal person of public law shall include:
 - a) name with indication “a legal person of public law”;
 - b) objectives, functions and the purpose of the activities;
 - c) procedure for establishment of governing bodies and their competence;

- d) procedure for appointment (election) of person with representational authority and his competence;
 - e) form and scope of state control;
 - f) grounds for financial activities, including contributions, membership fees and rights to demand other actions.
 - g) procedure and terms of liquidation;
 - h) procedure for making amendments to the charter (regulations).
2. The charter (regulations) of a legal person of public law shall be approved according to the rule prescribed by law.

Article 7. Property

1. For accomplishment of the objectives set and functions, the state shall transfer property to a legal person of public law or the rule of property formation thereof shall be determined by the founding document.
2. The state may transfer property to a legal person of public law with the consent of the Ministry of Economy, Industry and Trading.
3. In case when the property of a legal person of public law is established on the basis of contributions or membership fees, their amount and procedure of payment shall be defined in the founding document.

Chapter III. Organization, Activities

Article 8. Authority of Members

1. The governing body of a legal person of public law based on membership is a General Meeting of members. Powers of the Meeting may be delegated to other body determined by the charter (regulations) during periods between the Meetings.
2. The meeting of members of a legal person of public law based on membership renders a decision on the charter (regulations), elects governing bodies and solves other important issues regarding activities of this legal person by a majority of votes. The Meeting is authorized if attended by more than half of its members.

3. The members of a legal person of public law, based on membership, may themselves determine basic provisions of the charter (regulations) thereof.

Article 9. Activities

1. A legal person of public law may be established only for accomplishment of those public objectives and functions, which are outside the competence of the state bodies.
2. If a legal person of public law has actually turned to entrepreneurial activity, a relevant state body shall decide on reorganization or liquidation of this entity.

Chapter IV. Management, Representation and State Control

Article 10. Management and Representation

1. The rule of management of a legal person of public shall be determined by the relevant law or by the edict of the President of Georgia and the charter (regulations) thereof.
2. A legal person of public law shall be governed by a director, which shall act independently within the scope of the relevant law, edict of the President of Georgia, charter (regulations) and members' decisions (if a legal person of public law is based on membership).
3. The director of a legal person of public law shall direct activities individually. He shall be also a representative of a legal person of public law and shall be personally responsible for proper management of the activities.
4. The director of a legal person of public law based on state property shall be appointed and dismissed by the President of Georgia or by a state body determined by the law (edict of the President of Georgia), and the director a legal person of public law based on membership – by a General Meeting of members.
5. The director shall be personally responsible for the property of the legal person of public law and proper expenditure of financial resources.

6. For governing a legal person of public law, a Supervisory Board may be established in the cases prescribed by law, provided for in the administrative act or in its charter (regulations). It may consist of officials of relevant state body as well as, in case of a legal person of public law based on membership, members selected by the General Meeting and representatives of the staff.

Article 11. State Control

1. A legal person of public law shall be under state control, i.e. the conducted activities with respect to lawfulness, expediency and efficiency as well as financial-economic activities shall be supervised.
2. State control over a legal person of public law shall be exercised by the state body determined by law or by edict of the President of Georgia, which shall be entitled to demand materials and information necessary for state control.
3. A body exercising state control is entitled to suspend or revoke unlawful decision of a legal person of public law.

Article 12. Activity Requiring Consent

1. A legal person of public law based on state property may conduct the following activities with the consent of the state control body:
 - a) acquisition, alienation and encumbrance of immovable property;
 - b) procurement of loan;
 - c) suretyship;
 - d) establishment of staff list and wage fund;
 - e) other decisions regarding property of a legal person of public law, if they are beyond the scope of ordinary activities.
2. Consent of the Ministry of Finance of Georgia is necessary for conducting the activities provided for in “b” and “c” subparagraphs of the 1st paragraph of this Article.
3. Refusal of state control body the to activities determined by the 1st paragraph of this article shall be grounded. The refusal may be appealed in the higher state body or/and in the court.

Article 13. Financing

1. Financial resources of a legal person of public law may be:
 - a) membership fees and contributions;
 - b) funds allocated from the relevant budget;
 - c) income received as a result of the fulfillment of the state order;
 - d) income received for the works performed on the basis of an agreement;
 - e) other incomes allowed by the legislation of Georgia.
2. Financial resources and income determined by the 1st paragraph of this Article shall be completely used for accomplishment of the objectives and functions of a legal person of public law defined in the relevant law, edict of the President of Georgia and charter (regulations). Use of financial resources of a legal person of public law for any different purpose is prohibited.
3. If a legal person of public law is financed from the state budget, it should be provided for in the relevant budget. The funds of public law are created on the basis of the Law of Georgia on Budget System and Authority.

Article 14. Book-Keeping

1. A legal person of public law is bound to keep accounts regarding financial-economic activities according to the rule prescribed by the legislation of Georgia, make up a balance sheet and submit it for approval to the relevant state control body.
2. The annual balance sheet of a legal person of public law shall be examined by the independent auditor appointed by a state control body.

Chapter V. Termination of Activities, Liquidation

Article 15. Grounds for Termination of Activities

A legal person of public law terminates activities:

- a) in case of accomplishment of the objective or failure thereof;
- b) due to expiration of the term determined by the founding document;

c) in other cases provided for in the founding document or in the charter (regulations).

Article 16. Document on Termination of Activities

The document on termination of activities of a legal person of public law cannot have less legal force than the founding document. If this requirement is not fulfilled, the legal person of public law continues to exist.

Article 17. Liquidation

1. Liquidation of a legal person of public law shall be conducted by the liquidators appointed by a state control body. A liquidator may be the director of a legal person of public law.
2. Liquidators conduct activities pursuant to the legislation of Georgia. Activities of liquidators are limited to liquidation objectives.

Article 18. Distribution of Property Remaining After Liquidation

1. The property remaining after liquidation of a legal person of public law based on state property shall be transferred into the ownership of the state.
2. The property remaining after liquidation of a legal person of public law based on membership shall be disposed according to the rule determined by the founding documents.

Chapter VI. Transitional and Final Provisions

Article 19. Operation of the Law in Time

1. This Law shall apply to all legal persons of public law being within the scope of its regulation, regardless of time of their establishment.
2. In case of conflict between this Law and the special norms regulating activities of a legal person of public law, the special norms shall apply.

3. Before the effective date of this Law, the property of a legal person of public law, established on the basis of state property, may be alienated or encumbered according to the rule prescribed by the legislation of Georgia on alienation or encumbrance of state property.

Article 20. Effective Date of the Law

This Law shall take effect on the 15th day from its publication.

President of Georgia

Eduard Shevardnadze

Tbilisi,
May 28, 1999
No. 2052-IIS