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220603

FRAMEWORK AGREEMENT

between

GEORGIA

and

EUROPEAN INVESTMENT BANK

governing EIB activities in Georgia

Tbilisi, 21 June 2007

MADE BETWEEN:

Georgia, represented by the Ministry of Finance of Georgia, having its office at 70, I. Abashidze Str., 0162 Tbilisi, Georgia, represented by Mr. Aleksei Aleksishvili, Minister of Finance of Georgia,

hereinafter referred to as "Georgia",

of the one part, and

European Investment Bank, having its Head Office at 100, boulevard Konrad Adenauer, L – 2950 Luxembourg – Kirchberg, Grand Duchy of Luxembourg, represented by Mr. Torsten Gersfelt, Vice President,

hereinafter referred to as the "Bank",

of the other part,

[Handwritten signature]

HAVING REGARD TO the Partnership and Co-operation Agreement between the European Communities (hereinafter the "EC") and their Member States, of the one part, and Georgia, of the other part, signed on 22 April 1996;

DESIRING, within the framework set by the decisions of the Council of the European Union and of the governing bodies of the Bank, to facilitate the financing, by means of loans, guarantees or other instruments, by the Bank of investment projects of interest to Georgia, and for that purpose to extend certain protection to such projects and to ensure certain rights and privileges for the Bank,

HAVE AGREED AS FOLLOWS:

ARTICLE 1

Definitions

For the purposes of this Agreement:

"Beneficiary" (or collectively "Beneficiaries") means any person, whether Georgia, a natural person or a person established under private or public law, receiving the benefit of financing by means of a loan, guarantee or other instrument provided by the Bank for any Project, including, but not limited to a borrower from the Bank, a co-debtor, a guarantor, a lender guaranteed by the Bank and its borrower or an owner of a Project;

"Project" means any investment project, which the Bank finances directly or through an intermediary or which benefits from a loan guaranteed by the Bank, and which satisfies the following criteria:

- (i) it is located in, or its financing by the Bank is effected in or through, the territory of Georgia, and
- (ii) the government of Georgia requests financing for it or acknowledges that the financing falls within the scope of this Agreement,

where the Bank agrees to the financing on a date after the date of entry into force of this Agreement or expressly in expectation of its execution or entry into force;

"Tax" means any tax, imposition, duty, levy, withholding or fiscal charge whatsoever, whether national, regional or local, direct or indirect.

ARTICLE 2

Bank's Activity

The Bank may freely pursue within the territory of Georgia the activities envisaged by the Bank's Statute including, but not limited to, the granting of loans and/or guarantees for the financing of a Project, the borrowing of funds under the laws and regulations of Georgia by means of all instruments permitted thereby, as well as the holding, use and disposal of such funds and the operation of accounts in any currency. In particular the Bank may, on the basis of its appraisal of a Project, freely decide whether, and on which terms and conditions, to grant finance in support of it.

ARTICLE 3
Taxation of Bank

Interest and all other payments due to the Bank and arising out of activities envisaged by this Agreement, as well as the assets and revenues of the Bank connected with such activities, shall be exempt from Tax. No activity of the Bank in the territory of Georgia in connection with any matter covered by this Agreement shall, of itself, render the Bank or its assets subject to Tax.

ARTICLE 4
Currency Convertibility and Transfer of Funds

Throughout the life of any financial operation concluded pursuant to Article 2 of this Agreement, Georgia shall:

- (a) ensure: (i) that Beneficiaries may convert into any fully convertible currency, at the prevailing market exchange rate, the amounts in the national currency of Georgia necessary for the timely payment of all sums due to the Bank in respect of loans, guarantees and any holdings in the capital of undertakings in connection with any Project; and (ii) that such amounts shall be freely, immediately and effectively transferable outside the territory of Georgia so as to enable the Beneficiaries to meet their obligations to the Bank in accordance with the terms of the relevant contractual or other instrument;
- (b) ensure: (i) that the Bank may convert into any fully convertible currency, at such prevailing market exchange rate, the amounts in the national currency of Georgia received by the Bank by way of payments arising in respect of loans, guarantees and holdings, or any other activity and that the Bank may freely, immediately and effectively transfer the amounts so converted outside the territory of Georgia to such bank accounts as the Bank may freely determine; or, at the Bank's option, (ii) that it may freely dispose of such amounts within the territory of Georgia;
- (c) ensure that the Bank may convert into the national currency of Georgia at the prevailing market exchange rate, any amounts in any fully convertible currency.

ARTICLE 5
Treatment of Projects

- (1) Georgia shall ensure that Projects, as well as contracts awarded for the execution thereof, benefit, in respect of fiscal, customs and other matters, from treatment no less favourable than that which is accorded to projects or contracts financed and/or guaranteed by any other international financial institution or accorded under any bilateral agreement in respect of such matters or under national legislation, whichever is the most favourable.
- (2) Georgia shall extend to each Project full and constant protection and security against expropriation and strife insofar as is necessary to preserve the capacity of the Project to generate income, which is available to service the debt incurred in connection with the Project.

ARTICLE 6
Public Tendering

The Bank may make its financing of Projects conditional upon the arrangements for participation in tenders and other competitive procedures for the award of contracts being in accordance with the Bank's rules and procedures in force from time to time.

ARTICLE 7**Bank Status and Treatment**

- (1) The Bank shall enjoy full juridical personality in the territory of Georgia, including in particular the capacity to contract, to acquire and dispose of movable and immovable property and to be party to legal proceedings.
- (2) The Bank shall enjoy in respect of its activities in the territory of Georgia the treatment accorded to the international institution, which is most favoured in respect of any such activity, or, if that is more favourable, the treatment accorded under any international agreement covering such activities.
- (3) In particular, the Bank shall have free access to the national financial market in Georgia and its obligations, securities and other comparable financial instruments shall be treated on terms, including, but not limited to, terms as to Tax treatment, at least as favourable as those accorded to public bodies of Georgia, including the State, and the most favoured international financial institution.

ARTICLE 8**Bank Privileges and Immunities**

- (1) The assets of the Bank shall be exempt:
 - (a) from search and all forms of expropriation;
 - (b) from the levy or imposition of any measure of execution or distraint prior to the award of a final, unappealable judgement against the Bank, rendered by a court of competent jurisdiction.
- (2) Representatives of the Bank, while they are engaged in activities connected with or in implementation of this Agreement, shall enjoy at least the following immunities and privileges:
 - (a) immunity from legal and administrative proceedings in respect of acts performed by them in their official capacity, except in cases where the Bank waives such immunity;
 - (b) diplomatic privileges and facilities accorded by Georgia for official communications, for the transmission of documents and travel.

ARTICLE 9**Settlement of Disputes over Activities of the Bank**

- (1) Georgia undertakes, in respect of any dispute arising between the Bank and a Beneficiary or any third party regarding the activities of the Bank envisaged by this Agreement: (i) to ensure that the courts of Georgia have the authority to recognise a final decision delivered by due process by a court or tribunal of competent jurisdiction, including the Court of Justice of the European Communities or any national court of a member state of the EC or any arbitration tribunal; and (ii) to ensure the execution of any such decision in accordance with its applicable national rules and procedures.
- (2) Georgia hereby waives any immunity from or right to object to the jurisdiction of such competent court or tribunal, including the Court of Justice of the European Communities, in respect of any dispute arising between Georgia and the Bank in respect of the financing of a Project.

ARTICLE 10
Subrogation

The rights conferred on the Bank by this Agreement may be enjoyed and exercised (i) by the Bank both in its own name and, to the extent that the EC has made payment to the Bank in respect of any guarantee or insurance concerning any loan, guarantee or other instrument concluded pursuant to this Agreement, as representative of the EC, or (ii) as the case may be, by the EC itself by virtue of a right of subrogation.

ARTICLE 11
Co-operation

Georgia agrees to respond in writing within 30 days to requests made by the Bank for its acknowledgment that a Project financing proposal falls within the scope of this Agreement. Georgia undertakes to inform the Bank in a timely manner of any measure or proposed measure on its part, or of any other circumstance, such as may be reasonably expected to affect materially the rights and interests of the Bank under this Agreement.

ARTICLE 12
Settlement of Disputes

- (1) Any dispute, disagreement, controversy or claim (together referred to as a "Dispute") arising in connection with the existence, validity, interpretation, implementation or termination of this Agreement shall to the extent possible be settled by agreement between Georgia and the Bank.
- (2) If the dispute cannot be amicably settled by Georgia and the Bank within 60 days of the notification of the Dispute by either of those parties, the Dispute shall be submitted by either party for a final and binding decision of the Court of Justice of the European Communities.
- (3) Georgia hereby waives any immunity from or right to object to the jurisdiction of the Court of Justice of the European Communities in respect of any Dispute.

ARTICLE 13
Entry into force and Amendments

- (1) This Agreement shall enter into force upon the day following the date on which the Bank confirms to the government of Georgia its receipt of a certified copy of the latter's instrument of ratification or other instrument mutually agreed between Georgia and the Bank, as well as of a legal opinion acceptable to the Bank as to the legal force of this Agreement.
- (2) Upon mutual agreement of the parties, amendments and additions may be introduced to this Agreement.

ARTICLE 14
Expiry

- (1) This Agreement is concluded for an unlimited period of time.
- (2) The Bank may by a 6-months prior written notice to Georgia terminate this Agreement or release Georgia from all or any of its obligations under this Agreement. Unless otherwise stated, the giving of any such notice shall not affect the rights and interests acquired by the Bank in

respect of Projects and financial operations outstanding at the date of taking effect of such notice in the territory of Georgia.

- (3) Georgia may by a 6-month prior written notice to the Bank terminate this Agreement. The giving of any such notice shall not affect the rights and interests acquired by the Bank in respect of Projects and financial operations outstanding at the date of taking effect of such notice in the territory of Georgia.

ARTICLE 15
Disclosure

Georgia agrees that disclosure of this Agreement to Beneficiaries in respect of loans, guarantees or other instruments granted for Projects under this Agreement is authorised and will not violate any applicable regulation or ruling of any competent governing body.

ARTICLE 16
Address for Communications

The parties agree that any communication arising in the course of the operation of this Agreement may be addressed to their respective addresses set out as follows:

For Georgia: the Ministry of Finance of Georgia
70, I. Abashidze Str., 0162 Tbilisi, Georgia

For the Bank: 100, boulevard Konrad Adenauer, L-2950 Luxembourg

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed the present Agreement in the English language, in three originals, each page having been initialled by Mr. Ioseb Skhirtladze, Head of the External Relations Department on behalf of Georgia and by Ms. Barbara Balke, Head of Division, on behalf of the Bank.

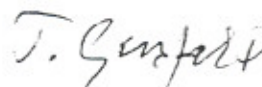
Done this 21st day of June 2007, at Tbilisi.

Signed for and on behalf of:

GEORGIA

EUROPEAN INVESTMENT BANK


A. Aleksishvili



T. Gersfelt