

**FRAMEWORK AGREEMENT
BETWEEN THE GOVERNMENT OF GEORGIA**

AND

THE COMMISSION OF THE EUROPEAN COMMUNITIES

The Commission of the European Communities, hereinafter referred to as "The Commission", acting for and on behalf of the European Community, hereinafter referred to as "the Community"

on the one part, and

The Government of Georgia, hereinafter referred to as "The Beneficiary Country", acting for and on behalf of Georgia

on the other part,

and together, jointly referred to as the "Parties"

Whereas:

Georgia is eligible to be a recipient of external assistance financed by the Community as provided for in the relevant Regulations,

the assistance may give rise to financing agreements signed by the Beneficiary Country, the Commission, and Member States in certain cases, to implement the planned actions,

the technical, legal and administrative framework for implementing actions in Georgia should be laid down,

Have agreed as follows:

Article 1 – Purpose

1.1 This Framework Agreement replaces the "General Rules Applicable to Financing Memoranda"¹ signed between the Commission and the Beneficiary Country.

1.2 This Framework Agreement sets out the detailed provisions concerning the rules applicable to the performance of actions financed wholly or partly by the Community, notably regarding foreign exchange, tax and customs duties.

1.3 This Framework Agreement shall also apply to actions financed by the Community which by their nature are not covered by a specific financing agreement.

¹ *General Rules Applicable to Financing Memoranda signed between the Commission and Georgia on February 24, 1994*

Article 2 - Foreign Exchange Arrangements

2.1 For the execution of actions, the appropriate authority(ies) of the Beneficiary Country, undertake(s) to grant import authorisations and authorisations for the acquisition of foreign exchange, without discrimination between eligible countries.

2.2 The appropriate authority(ies) shall grant experts on mission and their families the permits necessary to import into, and retain in the Beneficiary Country, foreign currency for the duration of the action.

2.3 The experts on mission and their families will also be entitled to export any unused balance of foreign currency.

Article 3- Taxation and Customs Provisions

Actions financed wholly or partly by the Community shall not be subject to taxes and customs duties or any other charges having equivalent effects. In particular:

3.1 Any goods imported for the purpose of implementing actions financed by the Community shall not be subject to customs and import duties, taxes or any other charges having equivalent effect imposed by the Beneficiary Country or any administration thereof.

3.2 Upon the request of the Commission, the Beneficiary Country shall ensure that the imports concerned will be released in time from the point of legal custom entry for delivery to the recipient as required for the normal implementation of the contract.

3.3 Contracts financed by the Community shall not be subject to value added tax, documentary stamp, registration duties or any charges having equivalent effect in the Beneficiary Country, whether such charges exist or are to be instituted, whether the contract is concluded with persons from the Beneficiary Country or elsewhere.

3.4 Where a contract concerns supply of goods originating in the Beneficiary Country, the contract shall be concluded on the basis of the net price excluding value added tax. The term "goods" should be understood as any product, services and/or rights assigned for sale.

3.5 In respect of all contracts financed by the Community, contractors and their employees, other than citizens or permanent residents of the Beneficiary Country, shall be exempted from all taxes, charges and mandatory payments levied in the territory of the Beneficiary Country, including social security provisions and business and income tax.

3.6 Personal and household effects, including foodstuffs, imported for personal use by natural persons employed in contracts financed by the Community, shall be exempt from import duties, customs taxes and other charges having equivalent effects imposed by the

Beneficiary Country. This does not apply to citizens or permanent residents of the Beneficiary Country.

3.7 Duty-free import into the Beneficiary Country of one motor vehicle per family is allowed, provided that the vehicle is used only within the period of the relevant contract and is re-exported at the end of this period. Experts and their family members may obtain driving licences against proof of their present licences.

3.8 External assistance by the Community may be suspended where the provisions of Article 3 are not respected by the Beneficiary Country.

Article 4 – Co-operation and Consultation between the Parties

4.1 The Parties shall take all necessary measures to ensure proper implementation of this Framework Agreement.

4.2 The Beneficiary Country will provide the Commission with all information with regard to the application of this Framework Agreement.

4.3 Any questions relating to the execution or interpretation of this Framework Agreement shall be the subject of consultations between the Parties, leading where necessary to a written amendment of the Framework Agreement.

Article 5 – Disputes

Any dispute between the Parties arising from the implementation of this Framework Agreement which is not settled within a reasonable time by consultations between the Parties shall be settled by arbitration in accordance with the Permanent Court of Arbitration's Optional Rules for Arbitration involving International Organisations and States.

Article 6 - Entry into force, suspension and termination

6.1 This Agreement shall enter into force on the date of exchange of the last notification act confirming the completion by the Beneficiary Country of their domestic procedures necessary for its entry into force.

6.2 Where the Parties concerned fail to carry out an obligation set out in the Framework Agreement and if they do not take remedial action in due time, the Commission may suspend or terminate the implementation of the Financing Agreements.

6.3 Either Party, following consultations, may for its part rescind this Framework Agreement by giving 6 months notice in advance.

6.4 In case of suspension or termination this Framework Agreement shall continue to apply in respect to on-going obligations deriving from specific financing agreements signed thereunder.

Article 7 – Amendments

Any amendment to this Framework Agreement shall be made in writing and be the subject of an exchange of letters between the Parties.

Article 8 – Language

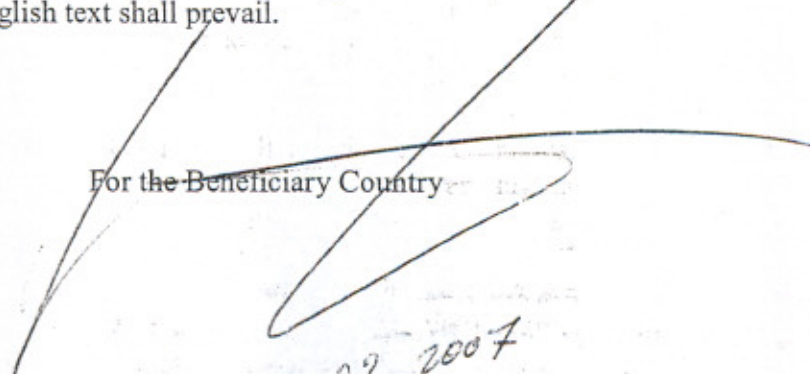
This Framework Agreement is drawn up in 2 originals in Georgian and English. In case of divergence of interpretation the English text shall prevail.

Done in Brussels,
For the Commission



26/09. 2006

For the Beneficiary Country



23.02.2007