

Resolution # 264
March 30, 1995
Cabinet of Ministers of
the Republic of Georgia

On Supply Goods and Products for the State Need of the Republic of Georgia

Cabinet of Ministers of the Republic of Georgia considers that in the transitional period on market economy, when the centralized distribution system of resources is abolished and as a main form of technical-material procurement of organizations and enterprises is envisaged direct relations established among company producer and consumer and the mechanism of goods/products supply for state need of the republic for solving common State and social-economic problems is not established yet.

In order to regulate state purchases of goods and products for state need of the Republic of Georgia, Cabinet of Ministers of the Republic of Georgia decrees to:

1. consider orders on purchase and supply goods (products), implementation state need activities (services) as a form of satisfying state need.

Supply of goods (products) for state need is implemented according to the State and Inter-state aim programs (programs with specific purpose) financed from the State budget.

2. approve economic principles and regulations on purchase and supply of goods (products) for state needs of the Republic of Georgia, in accord with the appendix #1.
3. establish the following list of state need of the Republic of Georgia:
 - State Programs;
 - Inter-state aim programs (programs with specific purpose) including fundamental researches, innovative and State scientific-technical programs, in which participates the Republic of Georgia.
 - Geological-exploring activities to re-produce mineral and raw-material base, topographic-geodesy and cartography and environment protection activities to be financed from the budget of Georgia;
 - export of goods in order to fulfill inter-state aim programs (programs with specific purpose) economic liabilities (including credits) of the Republic of Georgia;
 - supply products, necessary to create and preserve state reserves, liquidate calamity results, implement appropriate measures during emergency situations and contingencies.
 - supply goods to preserve the necessary level of security and defense ability of the Republic of Georgia;
 - supply the goods and implement activities ensuring stabile functioning of education, health care, social insurance, agriculture, public transport and communications, culture, tourism and physical culture, hydro-meteorologic services and state management bodies (financed from the state budget of the Republic of Georgia);
 - supply of goods to develop and maintenance of urban economy for Tbilisi - native town of the Republic of Georgia and other regional need;
 - execution of State investments and investment programs.

4. approve the rule on designing and implementing State and Inter-state aim programs for development of the Republic of Georgia, in which participates Georgia.
5. recommend local management bodies of autonomous republics of the Republic of Georgia, Tbilisi and other regions to act in accordance with the hereby rule while designing and implementing regional aim programs (programs with specific purpose).

Regional aim programs approved by the executive bodies of Tbilisi or autonomous republics are financed from the appropriate budget or through the non-budget resources, attracted (allotted) for this reason.

Impose a charge on the Ministry of Economy of the Republic of Georgia to create and implement State aim programs, supervise and coordinate development methodology of the programs in which participate the Republic of Georgia.

6. approve the rule on implementing jobs (services), purchases and supply of goods (products) for state need of the Republic of Georgia.
7. place a duty on the ministries and departments, executive bodies of Tbilisi, autonomous republics and other Organizations of the Republic of Georgia, requiring budget financing, to submit drafts of State and Interstate aim programs and corresponding applications to the Ministries of Finance and Economy of the RoG, every year not later than august 1.

Applicants for budget financing together with the projects submit proposals on economic and other preference, to encourage goods suppliers for state need.

8. Proceeding from the project of State budget and estimation of social-economic development prognosis, Ministry of Economy together with the Ministry of Finance, consider the project drafts and applications on budget financing according to the correspondent directions of budget distribution and submit the specified list of state and inter-state aim programs and proposals/recommendations on budget financing needed for execution of these programs, to be approved by the to the Cabinet of Ministers of the RoG (annually, till September 1).
9. Ministries, departments and enterprises of the Republic of Georgia shall submit the figures on production, approximate volume and their consumption in 1993 within a month time period.
10. Products for state need shall be directed according to priorities.
11. Ministry of Economy, together with the Ministry of Trade and Material Procurement, other ministries and departments shall determine reasonable consumption of resources envisaged for state need, within a month time period.
12. Creating state contract system in the Republic shall be considered as reasonable for state need and other spheres of activities, financed from the state budget in order to organize purchase and supply of goods (products).
13. The Ministry of Trade and Material Procurement of the Republic of Georgia shall submit a proposal, agreed with the Ministries of Economy and Finance of the RoG, on creating state contract structures of the republic on the basis of services,

exchanges and other objects of infrastructure existing in its system, to the Cabinet of Ministers of the Republic of Georgia within a month time period.

14. The rule of preparing and making contracts (agreements) on purchase and supply of goods (products) for state need of the RoG must be approved.

15. To execute state contracts, state customers provide for the necessary financial resources (at the expense of budgetary and non-budgetary amounts).

Raw-materials, materials, equipment, assembling articles and other material-technical resources must be purchased in free prices (except the goods with prices regulated by the Government), by company-supplier directly on the basis of economic agreements or through the mediator organizations, at the commodity exchange, fairs, auctions.

State customers are allowed to delegate their powers to the adequate companies and organizations.

16. State customers shall ensure tender on transferring the orders on products supply for State need through conducting open or closed sales, tenders and competitions.

17. Every year the Ministry of Finance of the Republic of Georgia shall reflect in the State budget amount necessary to cover beforehand the costs of goods supply (for state need) fully or partially.

18. The Ministries and departments, regional and municipal executive bodies of the autonomous republics of the RoG shall support:

- state customers to place orders on goods supply for state need on the competitive basis;
- companies/enterprises to establish and preserve economic relations to ensure goods production and supply for state need.

19. Based on subaims from state customers, Ministry of Economy of the RoG shall consider (if necessary) and submit proposals to the CoM, on establishment compulsory regime for making contracts with company producer on goods supply for state need.

20. Ministries of Economy and Finance, Tax Department of the Republic of Georgia together with the other departments shall design supply stimulating rule within a month time period.

21. Currency revenues gained from market sale of goods for state need are totally used for state need performance (reciprocal purchase of goods, covering loan liabilities etc.).

revenues (excluding selling expenditures of these goods), gained from selling goods purchased on the domestic market on currency, is transferred to the income of the State budget of the RoG

22. State Department of Social Economic Information of the RoG shall record implementation of state orders and aim programs, consumption of financial means allotted by state customers and establish corresponding structure for statistical calculation, within a month time period.

23. Ministry of Economy, Ministry of Finance, State Committee of Social Economic Information of the Republic of Georgia, together with the Control Chamber of the Republic of Georgia, within the scope of their powers, shall monitor financial means allotted on implementation goods purchase and supply for state need, utilized by state customers.

24. Resolution and Decree on general principles of purchase and supply of goods (products) for state need shall be published in press.

Prime-minister of the Republic of Georgia

T. Sigua

Head of the State Chancellery of the Cabinet of Ministers of the Republic of Georgia

G. Beridze

approved
under the Resolution # 264 (Appendix #1), dated from March 30, 1993
of the Cabinet of Ministers of the Republic of Georgia

Decree on General Principles of Purchase and Supply of Goods (Products) for State Need

Based on contract (agreement), the hereby Decree determines legal and economic regulations and principles of forming orders on goods (products, jobs, services) for state need and its placement, purchase and supply among the enterprises, organizations and institutions located on the territory of Georgia.

I. Supply Goods (Products) for State Need

1. Product supply for state need is determined, as a demand of the Republic of Georgia in product, necessary to solve common national problems of the Republic, involving social-economic, defense, scientific-technical, environment protection and for realization other programs and tasks with specific purpose. State needs are promoted through the budgetary amounts or by non-budget sources allotted for this reason.
2. Goods (products) for state need are delivered, to:
 - implement aim programs (complex programs having republican importance) including fundamental scientific-research, pilot-demonstration construction activities) intended to develop the Republic of Georgia.
 - implement inter-state aim programs in which participate the RoG.
 - implement international economic program, including loan liabilities (credits), to ensure export of products;
 - ensure supply necessary for creation and preserving material resources of the RoG;
 - preserve proper level of defense ability and state security.
3. Considering the budget structure of the republic and existence of state management bodies of the RoG, the two levels of orders forming and placement and purchase and supply are to be established, for:
 - total state need; and
 - the need of Tbilisi and the autonomous republics of Georgia.

II. Main principles of design and implementation aim programs

1. State and Inter-state aim programs are developed by the management bodies of the RoG, defined by the Cabinet of Ministers of the RoG, but aim programs of Tbilisi and autonomous republics are processed by the City Hall of Tbilisi and Board of Ministers of the autonomous republics.

While designing aim programs appropriate budget structure is considered.

During designing aim programs the following issues are to be ensured:

- priority while making decisions in social-economic, defense, scientific-technical, nature protection and the other most important tasks;
 - reaching specific final results and evident economic effects within 1-5 years time period;
 - compilation of financial, material and labor resources;
 - complexity and adequacy/coherence of regional and sectoral tasks.
2. The list of state and inter-state aim programs and other state needs is approved by the Cabinet of Ministers of the Republic of Georgia and is financed from the state budget or from those non-budgetary sources allocated to implement those programs and satisfy state need.

The list of aim programs of Tbilisi and autonomous formations as well as the other regional state need are approved by the Cabinet of Ministers of the Republic of Georgia, at the submission of autonomous formations and Tbilisi City Hall and is financed from the corresponding budget and non-budgetary sources assigned to these reasons.

Any kind of aim program shall be provided with corresponding economic stimulation.

3. Cabinet of Ministers of the Republic of Georgia defines state customers to ensure implementation of state and inter-state aim programs.
4. Customers are allotted the needed financial means, including currency after the list of state and inter-state aim programs and other state needs is being approved. Customers carry responsibility on implementing those programs and providing state need.

III. Forming the volume of product supply for state need and its replacement

1. Forming orders on purchase and supply of products and its replacement among enterprises, organizations, departments (suppliers) is produced on the basis of state contracts, according to the state customers determined by the Cabinet of Ministers of the RoG.
2. State contract is a main document specifying the rights and obligations of state customer and supplier in ensuring state need. State contract regulates economic-legislative liabilities and organizational-technical relations among the supplier and state customer.

Amendments and termination of state contract takes place on the basis of agreement of parties and under the additional agreement registered officially.

State customers provide suppliers with financial resources in order to implement state contracts.

Suppliers independently purchase material resources necessary for implementing state contracts.

3. Product delivered through state orders shall meet the state standards and special conditions stipulated under that contract.

It is obligatory to meet the requirements on product quality, preserving human lives and health care, environmental aspects, product substitution and adjustment.

4. State customers shall:

- select suppliers, while making state contracts, on a competitive basis, considering state interests, through arranging republican and regional fairs or other activities.
- provide suppliers with the necessary data of specific customers timely, within time period specified under the terms of state contract;
- agree with customers nomenclature, volume and time frame for the product assigned for state need;
- guarantee suppliers, that the third party receiving the products for state need shall cover product cost specified in the contract.

Form of payment for the supplied product is determined under the state contract.

5. State customers, are entitled to transfer part of their functions, including the right on registering and replacement of orders on purchase and supply products for state need, to the state management bodies, enterprises, organizations and institutions, on the basis of contract (agreement).

IV. Stimulating Product Supply for State Need

1. For economical stimulation of goods/products state need suppliers will be granted preferences:
 - on profit tax, common and aim subsidies;
 - on preserving currency amounts in case of product export for sale;
 - on receiving financial sources from the state budget to increase the volume of product supply for state need.
 - rule of receiving, volume and types of economic or other preferences are established by the government of the RoG, upon submission of appropriate state authorities.
2. Specific preferences named in the first point of section IV of the hereby Decree as well as the other conditions for stimulating product suppliers for state need can be considered in the state contract.

V. Liabilities for non-execution product supply for state need

1. If one of the party failures to fulfill or fulfills state contract liabilities imperfectly (if not caused by the unforeseen events envisaged in the contract) this party:
 - reimburses the losses to the other party;
 - loses preferences included in the first point of section 4 of the hereby Decree as well as the ones envisaged in the state contract;
 - is imposed liabilities envisaged in the legislation of the RoG and terms and conditions of the state contract.
2. suppliers, presenting state enterprises, or companies with state-owned controlling block of shares and those with dominating market position for selling specific kind of products or having technological monopoly on production separate products, are entitled not to make state contract only if execution of the order causes damage to their production.

In case the supplier do not provide motivated refusal on producing and supplying products for state need, whereas the appropriate order (placing responsibility on supplier to execute a contract i.e. supply products for state need) is already received, the supplier is penalized to pay fine in the amount equal to the product cost stipulated in the contract.

3. Supplier has to pay 50% of non-supplied product cost as a contract-non-execution fine, in case the latest failures to supply the product within the time frame stipulated under the state contract. While paying contract-non-execution fine should be considered the volume of product non-delivered in past. In case the state contract liabilities are not fulfilled at all, supplier has to pay contract-non-execution fine and also reimburse losses of buyer if the amount of fine does not exceed the volume of losses.

Products which do not meet the requirements specified in the third point of section 3 of the hereby Decree and incomplete products are accounted as non-deliverables.

4. State customer has the right to refuse (fully or partially) to:
 - accept product manufactured under the State contract, if the latest fully reimburses losses to supplier, according to the legislation in force;
 - pay product cost, if the product quality do not meet the requirements of technology standards stipulated in corresponding legislation.
5. Disputes arisen between supplier and state customer, while making, amending, terminating and executing state contracts on supply products for state need or reimbursing losses are to be tried at the Court or Arbitrage Court in conformity with the legislation if force.