

FRAMEWORK AGREEMENT
BETWEEN THE GOVERNMENT OF UKRAINE
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 Ukraine hereinafter referred to as the "Government",

on the other part,
and together, jointly referred to as the "Parties"

Whereas:

Ukraine 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 Government, the Commission, and Member States in certain cases, to implement the planned actions,

the technical, legal and administrative framework for implementing actions in Ukraine 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 Government.

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 the Government on December 28, 1994*

Article 2 - Foreign Exchange Arrangements

- 2.1 For the execution of actions, the National Bank of Ukraine undertakes to grant import authorisations and authorisations for the acquisition of foreign exchange, without discrimination between eligible countries.
- 2.2 The National Bank of Ukraine shall grant experts on mission in Ukraine and their families the permits necessary to import into, and retain in Ukraine, 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 Government or any sub-division thereof.
- 3.2 Upon the request of the Commission, the Government 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 Ukraine, whether such charges exist or are to be instituted, whether the contract is concluded with persons from Ukraine or elsewhere.
- 3.4 Where a contract concerns supply of goods originating in Ukraine, 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, foreign contractors and their employees, other than citizens or permanent residents of Ukraine, shall be exempted from all taxes, charges and mandatory payments levied in the territory of Ukraine, including 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 Ukraine. This does not apply to citizens or permanent residents of Ukraine.

3.7 Duty-free import into Ukraine of one motor vehicle per family of foreign expert 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. Foreign 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 Ukraine, as well as in the case of unpurposefull using of international technical assistance.

Article 4 – Co-operation and Consultation between the Parties

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

4.2 The Government 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

5.1 Any dispute between the Parties arising from the implementation of this Framework Agreement which is not settled within 60 days by consultations between the Parties shall be passed to the Permanent Court of Arbitration in Hague, established to solve the disputes between International Organisations and States.

Article 6 - Entry into force, suspension and termination

6.1 This Agreement shall enter into force on the date of receipt by the Commission the notification act from the Government confirming the completion by Ukraine of their domestic procedures necessary for its entry into force. The provisions of this Agreement shall be provisionally applied from the date of signature by both Parties insofar as they do not contradict existing legislation by Ukraine.

6.2 Where the authorities 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

7.1 Any amendment to this Framework Agreement shall be made in writing and be the subject of an exchange of letters between the Parties. Amendments to the Framework Agreement come into force the same way foreseen Article 6 to Framework Agreement.


Article 8 - Language

8.1 This Framework Agreement is drawn up in two originals in Ukrainian and English languages. In case of divergence of interpretation the English text shall prevail.

For the Commission

For the Government

Mr. Richard WEBER
Director
EuropeAid Co-operation Office
European Commission


Mr. Volodymyr MAKUHA
Minister of Economy of Ukraine
National Co-ordinator

Done in Brussels on 12-12-2006

Done in Kyiv on