

LAW OF GEORGIA

ON THE STATE MATERIAL RESERVE OF GEORGIA

This Law defines the principles for the formation, distribution, use, replenishment and renewal of the state material reserve of Georgia, and regulates the existing legal relations in this area.

Chapter I - General Provisions

Article 1 - Essence of the state material reserve

1. The state reserve of Georgia is a reserve stock of special purpose material values intended for use in accordance with paragraph 3 of this article, and under a decree of the Government of Georgia, and under a decree of the President during martial law or a state of emergency.
2. The state material reserve of Georgia ('the state reserve') comprises the state reserve and the mobilisation reserve, which is formed in accordance with mobilisation tasks during peacetime to ensure the execution of priority work under conditions of martial law and/or a state of emergency or other emergency situations.
3. The procedure for the accumulation, storage, supply, issuance, renewal, replacement, lending, deregistration, release, accounting for and reporting of state reserve material values is defined by the regulations on the State Material Reserve, approved by the Government of Georgia.

Law of Georgia No 1233 of 20 September 2013 - website, 08.10.2013

Article 2 - Definition of terms

The terms used in this Law have the following meaning:

- a) safekeeping – storing without the right of disposal of material values in the state reserve until a decree to issue the state reserve has been passed;
- b) supply – procuring and/or shipping (supplying) material values for safekeeping;
- c) issuance – withdrawing material values from the state reserve during operations of renewal, replacement, lending, deregistration and/or release;
- d) renewal – removing material values from the state reserve in connection with expiry dates established for their containers, packaging and storage, as well as in the event of circumstances causing, prior to the expiry date, spoilage or deterioration of the quality of the material values stored in the reserve, provided that the same quantity of analogous material values are simultaneously supplied to the state reserve;
- e) replacement – removing material values from the state reserve due to changes in the standards or technical parameters adopted, and replacing them with analogous or qualitatively similar material values of the same quantity;
- f) lending – removing material values from the state reserve, provided that material values of the same quality, type and quantity are returned to the state reserve after the expiry of a determined period of time;
- g) deregistration – removing material values from the state reserve without their subsequent return;
- h) release – selling, or removing free of charge, material values to/for a certain recipient (user) due to changes in the nomenclature of the state reserve material values.

Article 3 - Purpose of the state reserve

The purposes of the state reserve are:

- a) to meet the mobilisation needs of Georgia;
- b) to ensure emergency response priority works under conditions of martial law and/or a state of emergency or other emergency situations;
- c) to ensure the sustainable functioning of the country's economy;
- d) to provide humanitarian assistance.

Article 4 - Scope of authority of the State Material Reserves Department of Georgia, a Legal Entity under Public Law (LEPL) under the Ministry of Internal Affairs of Georgia, with respect to the state reserve

1. The storage and maintenance of the state reserve stocks, and operations related to the state reserve material values and control over their safekeeping,



shall be centralised and carried out within the special scope of authority of the State Material Reserves Department of Georgia, a Legal Entity under Public Law (LEPL) under the Ministry of Internal Affairs of Georgia ('the Department').

2. The Department shall:

- a) submit to the Ministry of Finance of Georgia the state reserve expenditure structure for the relevant annual draft budget;
- b) select suppliers of material values and enter into contracts with them, in accordance with the procedure established by the legislation of Georgia;
- c) exercise control over safekeeping;
- d) introduce the requirements provided for by Article 14 of this Law to a party to a contract.

3. The structure of the state reserve system and the procedure for its management is defined by the legislation of Georgia.

4. The state reserve system does not include enterprises, institutions and/or organisations that implement safekeeping of material values under a contract made with the Department.

5. The protection of state reserve facilities as facilities of particular national significance shall be carried out in accordance with the legislation of Georgia.

Law of Georgia No 1608 of 10 June 2005 - LHG I, No 33, 01.07.2005, art. 202

Article 5 - The stock list of state reserve material values and determining quantities

1. The Department shall, in agreement with the Ministry of Economy and Sustainable Development of Georgia, develop the stock list and the amount of the state material values to be accumulated, and submit them for approval to the Government of Georgia.

2. The annual volume of accumulation of the stock of the state reserve material values shall be determined by a classified article of the state budget, within the funds provided for the current fiscal year.

Law of Georgia No 1608 of 10 June 2005 - LHG I, No 33, 01.07.2005, art. 202

Law of Georgia No 4469 of 22 March 2011 - website, 1.4.2011

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Article 6 - Financing the state reserve

1. The maintenance and development of the state reserve shall be funded from the state budget.

2. Funds received from lending, fines and penalties shall be disposed of as prescribed by the Law of Georgia on the Budget System and Budgetary Powers.

3. Work related to the receipt, storage, renewal, treatment, inventory, protection, natural loss, and issuance of material values in safekeeping shall be funded from the state budget with the financial resources allocated for this purpose.

Chapter II - Organisation of supply of material values to and their placement in the state reserve

Article 7 - Formation of delivery orders for state reserve material values

1. Delivery orders of material values to the state reserve shall be placed with enterprises, institutions and organisations (irrespective of their organisational and/or legal form) in accordance with the procedure defined by the legislation of Georgia.

2. In order to replenish the state reserve with an assigned amount, the Department shall, under the procedure defined by the legislation of Georgia, select suppliers of material values to the state reserve, and enter into contracts with selected suppliers, taking into consideration the costs and the quality of products, as well as their fitness for long-term storage.

3. The Department shall be a state client for the delivery of material values.

Law of Georgia No 1608 of 10 June 2005 - LHG I, No 33, 01.07.2005, art. 202

Article 8 - Placement of the state reserve

1. The stock of the state reserve material values shall be placed in special storage facilities, which have been designated and built for this purpose, in accordance with the procedure provided for by the legislation of Georgia.



2. The stock of the state reserve material values may also be placed in state-owned or private storage facilities, on the basis of a contract.

3. The operations related to the state reserve material values (storage, delivery, issuance, renewal, replacement, lending, deregistration, release) shall be carried out on the basis of this Law and the Regulations on State Material Reserves.

Law of Georgia No 4852 of 5 June 2007 – LHG I, No 21, 18.6.2007, Article 175

Article 9 - State secrecy of information relating to the state reserve

Information relating to the formation, disposal, placement and volume of the state and mobilisation reserves shall be a state secret, and its disclosure shall entail liability as provided for by the legislation of Georgia.

Chapter III - Procedure for delivery of material values to the state reserve and their issuance from the reserve

Article 10 - Specificities of supply, placement and storage of material values in the state reserve

Material values to be supplied to the state reserve shall, during the entire storage period, comply with standards established for environmental protection and consumer health.

Article 11 - Procedure and grounds for the issue of material values from the state reserve

1. The Department shall issue material values from the state reserve for renewal, replacement, lending, deregistration, release, rendering humanitarian assistance, and for emergency response works during martial law and/or a state of emergency or other emergency situations, on the basis of a decree of the Government of Georgia, and on the basis of a decree of the President of Georgia during martial law or a state of emergency.

2. As a rule, material values are issued from the state reserve based on advance payment.

3. The costs related to material values issued from the state reserve for emergency response works during martial law, and/or a state of emergency or other emergency situations, shall be reimbursed from funds allocated for this purpose from the State Budget.

Law of Georgia No 1608 of 10 June 2005 - LHG I, No 33, 01.07.2005, art. 202

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Article 12 - Transportation of the state reserve material values

Material values issued from the state reserve under a decree of the President of Georgia for emergency response works during martial law and/or a state of emergency, and under a decree of the Government of Georgia for emergency response works during other emergency situations, shall be transported by transportation companies and organisations immediately and without advance payment.

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Chapter IV - Control, accounting and reporting of the state reserve material values

Article 13 - Reporting, accounting and control over the amount and movement of the stock of the state reserve material values

Reporting, accounting and control over the amount and movement of the stock of the state reserve material values shall be carried out in accordance with the procedure provided for by the legislation of Georgia.

Chapter V - Liability for the violation of the legislation on the State Material Reserves of Georgia

Article 14 - Liability in the course of operations related to the state reserve material values

1. The replenishment and renewal of the state reserve, and the storage of the resources intended for the formation of the reserve, and the lending of resources, shall be carried out on the basis of contracts made between the Department and respective suppliers: the person responsible for safekeeping and the temporary user.

2. A contract shall provide for liability for the failure to observe deadlines for the supply and return of the state reserve (delayed supply and return; inadequate quality, packaging, and labelling; hidden defects revealed, which requires the formation of the reserve anew, etc.), in particular:



a) a penalty to be paid by the supplier (user) to the Department for each day of overdue supply (return) (in the case of revealed hidden defects – from the day of establishing such a fact). The penalty shall be equal to not less than double the rate of interest of the National Bank of Georgia applicable on the day the contract was made;

b) the deadline for overdue supply, the expiry of which shall render the contract null and void. Where a supplier is in breach of a contract, the supplier shall be liable for compensation of the damage caused to the Department, and the Department shall enter into a contract with another supplier;

c) the specific circumstances force majeure.

3. The contract between the Department and the person responsible for safekeeping shall provide for the liability of the latter for violation of the rules of receipt, storage or lending of the resources, in particular:

a) rules for receiving the resources;

b) rules for storing the resources;

c) rules for lending the resources;

d) the specific circumstances of force majeure.

4. In the event of violation by the Department of the obligations provided for by a contract made with a supplier (keeper):

a) the supplier (keeper) shall have the right to disclaim the liability provided for by the contract;

b) the Department shall compensate the supplier (keeper), upon the request of the latter, for the damage caused by the breach of the contract, the amount of which shall be determined by a court.

5. Liability for the violation of the conditions of a contract made between parties in the course of operations related to the material values provided for by this Law and other normative acts shall be defined by the legislation of Georgia.

Law of Georgia No 1608 of 10 June 2005 - LHG I, No 33, 01.07.2005, art. 202

Article 15 - Liability for the violation of the legislation on the State Material Reserve of Georgia

Liability for violation of procedures for the formation and disposal of the material reserves, established by this Law, shall be defined by the legislation of Georgia.

Chapter VI - Transitional Provision

Article 16 - Legislation on mobilisation reserve

The conditions of the formation and disposal of the mobilisation reserve shall be defined by the legislation of Georgia.

Article 17 - Normative acts to be adopted in relation to this Law

The President of Georgia, before the entry into force of this Law, shall approve the following subordinate normative acts:

a) Regulations on the State Material Reserves Department of Georgia;

b) Regulations on the State Material Reserves.

Chapter VII - Final provisions

Article 18 - Normative acts to be repealed in connection with entry into force of this Law

Upon the entry into force of this Law, the following shall be considered as invalid:

a) Ordinance of the Government of the Republic of Georgia No 795-13 of 31 July 1992 on Approval of the Regulations of the State Committee for Material Reserves of the Republic of Georgia;

b) Regulations on the State Committee for Material Reserves of the Republic of Georgia approved by Ordinance No 795-13 of 31 July 1992;

c) Ordinance of the Cabinet of Ministers of the Republic of Georgia No 225-11 of 11 March 1993 on the State Material Reserves Department of the Republic of Georgia;



- d) Central Office Structure of the State Material Reserves Department of the Republic of Georgia approved by Ordinance No 225-11 of 11 March 1993;
- e) List of Organisations under the Governance of State Material Reserves Department of the Republic of Georgia approved by Ordinance of the Cabinet of Ministers of the Republic of Georgia No 225-11 of 11 March 1993;
- f) Edict of the Head of the State No 17-ლს of 18 April 1995 on Approval of the Regulations of the State Material and Mobilisation Reserves of the Republic of Georgia;
- g) Regulations on the State Material and Mobilisation Reserves of the Republic of Georgia approved by Edict of the Head of the State No 17-ლს of 18 April 1995.

Article 19 - Entry into force of this Law

This Law shall enter into force from 1 April 1999.

President of Georgia

Eduard Shevardnadze

Tbilisi,

13 December 1998

No 1736-ლს

