

FINANCING AGREEMENT

Special Conditions

The European Union, hereinafter referred to as "**the EU**", represented by the European Commission, hereinafter referred to as "**the Commission**",

of the one part, and

The Republic of Armenia, represented by the Ministry of Economy, hereinafter referred to as "**the Beneficiary**",

of the other part,

have agreed as follows:

ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION

1.1. The EU shall contribute to the financing of the following programme:

Title: Support for justice reform in Armenia – Phase II
CRIS decision number: ENPI/2012/023-600

hereinafter referred to as programme, which is described in the Technical and Administrative Provisions.

1.2 This programme shall be implemented in accordance with this Financing Agreement and the annexes thereto.

ARTICLE 2 – TOTAL ESTIMATED COST AND THE EU'S FINANCIAL CONTRIBUTION

2.1 The total cost of the programme is estimated at EUR 29 million, of which EUR 20 million from the ENPI 2012 Annual Action Programme in favour of the Republic of Armenia (ENPI/2012/023-600) and EUR 9 million from the ENPI 2012 Special Measure "EaPIC" (Eastern Partnership Integration and Cooperation) programme (ENPI/2012/024-321).

ENPI/2012/023-600

The Programme has the following components:

2.1.1 Budget support: EUR 25 million

2.1.2 Complementary support: EUR 4 million

2.2 The EU undertakes to finance a maximum of EUR 29 million. The breakdown of the EU's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

ARTICLE 3 - THE BENEFICIARY'S CONTRIBUTION

3.1 The Beneficiary undertakes to co-finance the programme with zero euro. The breakdown of the Beneficiary's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions.

3.2 Where there is a non-financial contribution by the Beneficiary, detailed arrangements for the delivery of such contribution shall be set out in the Technical and Administrative Provisions.

ARTICLE 4 - IMPLEMENTATION

4.1 By derogation to Article 3 of the General Conditions, the programme shall be implemented by the Commission acting for and on behalf of the Beneficiary.

4.2 The following clauses of the General Conditions shall not be applicable: Articles 1.3, 5, 6, 7, 8.2, 8.3, 11, 16.2, 17, 19.4, 20.6, 22.3, 22.4 and 22.6.

4.3 The following clauses of the General Conditions shall be replaced by the following:

4.3.1 Article 2.2: Wherever there is a risk of overrunning the global amount set in the Financing Agreement, the Commission may either scale down the project/programme or draw on the Beneficiary's own resources, after its approval, or on other non-EU resources.

4.3.2 Article 2.3: If the project/programme cannot be scaled down, or if the overrun cannot be covered by other resources including those of the Beneficiary, the Commission may decide to grant additional EU financing. Should it take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission.

4.3.3 Article 18.1: Every project/programme financed by the EU shall be subject to the appropriate communication and information operations. These operations shall be defined with the approval of the Commission.

4.3.4 Article 19.1: The Beneficiary shall take appropriate measures to prevent irregularities and fraud and, on request of the Commission, bring prosecutions to recover funds wrongly paid. The Beneficiary shall inform the Commission of any measure taken.

4.3.5 Article 19.3: The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud.

ARTICLE 5 – PERIOD OF EXECUTION

5.1 The period of execution of the Financing Agreement as defined in Article 4 of the General Conditions shall commence on the entry into force of the Financing Agreement and end 72 months after this date.

5.2 The duration of the operational implementation phase is fixed at 48 months.

5.3 The duration of the closure phase is fixed at 24 months.

ARTICLE 6 - ADDRESSES

All communications concerning the implementation of this Financing Agreement shall be in writing, refer expressly to the programme and be sent to the following addresses:

a) for the Commission

Mr. Traian Laurentiu Hristea
Head of EU Delegation in Armenia
21 Frik Street, Yerevan, 0002 Armenia
Fax: (37410) 54 64 95
Delegation-Armenia@eeas.europa.eu

b) for the Beneficiary

Mr. Vahram Avanesyan
Minister of Economy of the Republic of Armenia
5 M. Mkrtchyan street, Yerevan, Armenia

With copy to:

Mr. Hrair Tovmasyan
Minister of Justice of the Republic of Armenia
Halabyan 41 a, Yerevan, Armenia

ARTICLE 7 - ANNEXES

7.1 The following documents shall be annexed to this Financing Agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions

7.2 In the event of a conflict between the provisions of the Annexes and those of the Special Conditions of the Financing Agreement, the provisions of the Special Conditions

shall take precedence. In the event of a conflict between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

ARTICLE 8 – SPECIAL CONDITIONS APPLYING TO A BUDGET SUPPORT OPERATION

8.1. The following clauses of the General Conditions shall not be applicable to the part of the programme related to the budget support operation: Articles 1.3, 2, 4.2 first sentence, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16.2, 17 and 18.2, 19.5, 20.6, 22.3, 22.4 and 22.6.

8.2. Furthermore, the following clauses of the General Conditions shall be replaced respectively by the following:

8.2.1 Article 3: The part of the programme related to the budget support operation shall be implemented by the Commission. This consists in verifying compliance with the conditions for payment, and in the payment of the amounts due for each instalment, in conformity with this Financing Agreement.

8.2.2 Article 14: The Beneficiary undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the payments made under this Financing Agreement. The foreign exchange transfers will be accounted for under the value date of the notification of credit to the Treasury account to the Central Bank. The exchange rate will be the average rate of the interbank foreign currency market on the value date of the notification of credit.

8.2.3 Article 18.1: Every project/programme financed by the EU shall be subject to the appropriate communication and information operations. These operations shall be defined with the approval of the Commission.

8.2.4 Article 19.1: The Beneficiary shall take appropriate measures to prevent irregularities and fraud and, on request of the Commission, bring prosecutions to recover funds wrongly paid. The Beneficiary shall inform the Commission of any measure taken.

8.2.5 Article 19.3: The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud

8.3 Article 4.1 of the General Conditions shall be supplemented by the following: All payment requests submitted by the Beneficiary in accordance with the provisions set out in the Technical and Administrative Provisions shall be eligible for EU financing provided that such requests are submitted during the operational implementation phase.

8.4 Article 19.6 of the General Conditions shall be applicable mutatis mutandis in relation to any practices of active or passive corruption whatsoever in relation to the implementation of the operation.

ARTICLE 9 - OTHER SPECIAL CONDITIONS APPLYING TO THE PROGRAMME

9.1 The General Conditions are supplemented by the following:

9.1.1 Article 8 .1 shall be supplemented by the following paragraph:
For the components of this Financing Agreement implemented under Joint Management the procedures of the delegated body will apply.

ARTICLE 10 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

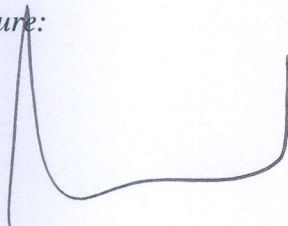
The Financing Agreement shall enter into force on the date on which the Commission receives a notification from the Beneficiary confirming the completion of the internal procedures of the Beneficiary necessary for its entry into force. The Financing Agreement will not enter into force if such a notification is not received by the Commission by 31/12/2013.

Done in two original copies, one copy being handed to the Commission and one to the Beneficiary.

FOR THE COMMISSION

Michael A. Köhler
Director Neighbourhood
Directorate-General for Development and
Cooperation - EuropeAid

Signature:

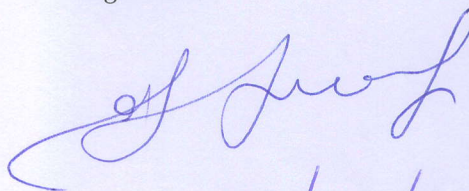


Date: 9/11/2013

FOR THE BENEFICIARY

Vahram Avanesyan
Minister of Economy
National Coordinator of EU Assistance
Government of Armenia

Signature:



Date: 21/11/2013