

FINANCING AGREEMENT

Special Conditions

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

on the one part, and

The Government of Georgia, hereinafter referred to as "**the Beneficiary**", represented by the Ministry of Finance of Georgia

on 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:

Special Measure for Support to Georgia's IDPs Action Plan: 2009 (Part III)

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

1.2 This programme will be implemented in accordance with the financing agreement and the annexes thereto: the General Conditions (Annex I) and the Technical and Administrative Provisions (Annex II).

ARTICLE 2 – THE EU’S FINANCIAL CONTRIBUTION

2.1 The total cost of the programme is estimated at 43.5 Million euro.

with the following components:

2.1.1 Budget support:

Amount: 41.5 Million euro

2.1.2 Complementary support (Technical Assistance):

Amount: 2.0 Million euro

2.2 The EU undertakes to finance a maximum of 43.5 Million euro. The breakdown of the EU’s financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions in Annex II.

ARTICLE 3 – THE BENEFICIARY’S CONTRIBUTION

3.1 The Beneficiary shall contribute zero euro to the programme.

3.2 Where there is a non-financial contribution by the Beneficiary the detailed arrangements shall be set out in the Technical and Administrative Provisions in Annex II.

ARTICLE 4 - PERIOD OF EXECUTION

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 at 36 month after this date.

ARTICLE 5 - ADDRESSES

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

a) for the Commission

Per Eklund
Head of EU Delegation
European Commission to Georgia
38 Nino Chkheidze St.
1020 Tbilisi, Georgia
Fax: +995 32 94 37 68

b) for the Beneficiary

Kakha Baindurashvili
Minister of Finance of Georgia
16, Gorgasali street, 0114, Tbilisi, Georgia
Fax: +99532-457443

ARTICLE 6 - ANNEXES

6.1 The following documents shall be annexed to this agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions.

6.2 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 7 - CONDITIONS APPLYING TO A BUDGET SUPPORT OPERATION

7.1. Given the nature of a budget support operation, the following clauses of the General Conditions shall not be applicable in respect to the amount specified in Article 2.1.1 (Budget support) of these Special Conditions: Articles 2, 4.2 first sentence, 5, 6, 7, 8, 9, 11, 12.2 and 13.2.

7.2. In respect to the amount specified in Article 2.1.1 (Budget support) of these Special Conditions, the following clauses of the General Conditions shall be replaced by the following:

7.2.1 In respect to Article 3.1: The project/programme shall be implemented by the Commission. This consists of the verification *of the compliance with the conditions for payment and the payment of the amounts due for each instalment, in conformity with this financing agreement.*

7.2.2 In respect to Article 10: The State of 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 account of the Central Bank opened for this purpose. The exchange rate will be the average rate of the interbank foreign currency market on the value date of the notification of credit.

7.3 In respect to the amount specified in Article 2.1.1 (Budget support) of these Special Conditions, 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 (Annex II) shall

be eligible for EU financing provided that such requests are submitted by the Beneficiary during the operational implementation phase.

7.4 Article 14.3 of the General Conditions shall mutatis mutandis be applicable in relation to any practices of active or passive corruption whatsoever in relation to the implementation of the operation.


ARTICLE 8 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

The financing agreement shall enter into force on the date on which it is signed by the last party.

Done in 2 original copies in the English language, 1 copy being handed to the Commission and 1 to the Beneficiary.

FOR THE COMMISSION


Marcus Cornaro
Director
EuropeAid Co-operation Office
Commission of the European
Communities



Date 25/6/2010

FOR THE BENEFICIARY

Kakha Baindurashvili
Minister of Finance of Georgia



Date 13/7/2010