

ANNEX II TO FINANCING AGREEMENT N° ENPI/2010/022-039

TECHNICAL AND ADMINISTRATIVE PROVISIONS

BENEFICIARY COUNTRY / REGION	<i>REPUBLIC OF ARMENIA</i>		
REQUESTING AUTHORITY	<i>Ministry of Economy</i>		
BUDGET HEADING	<i>19.08.01.03</i>		
TITLE	<i>Support to the Government of Armenia for the implementation of the ENP Action Plan and preparations for the future Association Agreement</i>		
TOTAL COST	Total EU Contribution: €21 million Budget Support Contribution: €20 million Complementary Actions: €1 million		
Aid method / management mode	Sector Policy Support Programme: - Sector budget support (direct centralised management); - Project mode (direct centralised management for the Complementary action component)		
DAC-CODES	<i>43010</i>	SECTORS	<i>Multi-sector budget support</i>

1. INTERVENTION

1.1. Objectives

The **overall objective** of this Programme is to assist the Government in the implementation of a number of selected key areas of the ENP Action Plan as well as assisting it to prepare for the negotiations of the future Association Agreement in the area of Deep and Comprehensive Free Trade Area; and improving overall economic performance within a framework of continuous improvement in governance and accountability.

The **specific objectives** of the programme are to:

- (1) further improve Public Finance Management (PFM) systems;
- (2) contribute to the improvement of public sector transparency and performance; and
- (3) assist in the regulatory approximation with the EU and international requirements in trade-related areas.

This Programme contributes to improved good governance and accountability. Many of the proposed areas will tie directly to accountability (external and internal audit), transparency (debt management strategy), and anticorruption (external audit, internal control).

Since this Programme targets the efficiency and transparency with which the Government's resources are utilized, it helps to address issues related to poverty, access to basic needs, and gender. At the same time, a more transparent and accountable PFM system can help to support democratic aspirations.

1.2. Expected results and Main activities

This section outlines the Expected Results of the Programme in relation to the Specific Conditions (as stipulated in Table 1, Appendix 1 of these Technical and Administrative Provisions) to be fulfilled by the Government of Armenia. Under each Expected Result there is also a list of activities that the Government will have to consider to fulfil the Specific Conditions.

In the area of Public Finance Management:

Expected Result 1

- **Enhancement of the institutional role of Supreme Audit Institution (Chamber of Control of Armenia - CoC) – reflected by PEFA Performance Indicator 26, Dimension (iii).**

Specific Condition 1: see Table 1, Appendix 1

Activities

- Identify and assign responsibility for the establishment and administration of the register to an institution of Government;
- Raise awareness on the importance of the register across Government. The purpose of the register is to ensure the effective implementation of the Law on Chamber of Control (Article 24) and enhance transparency of the chain of public accountability;
- Define clear procedures for the operation of the register;
- Identify the most effective way for the publication of the register in both the internet and by other written and electronic means.

Expected Result 2

- **Improvement of Public Sector Accounting – reflected by PEFA Performance Indicator 25, Dimension (iii).**

Specific Condition 2: see Table 1, Appendix 1

Activities

- Document and analyse the Armenian Public Sector Accounting Principles;
- Identify areas for improvement based on international accounting practice;
- Develop the new accounting framework for the public sector;
- Propose amendments to the legislative/regulative framework to accommodate the new accounting framework;

Expected Result 3

- **Establishment of a Public Internal Financial Control (PIFC) framework.**

Specific Condition 3: see Table 1, Appendix 1

Activities

- Analyse 2009 SIGMA report on PIFC gap assessment;
- Determine specific organisational and functional arrangements for the CHU in line with PIFC Strategy;
- Raise awareness across Government of the need to achieve an adequate PIFC framework;
- Disseminate draft PIFC Strategy to relevant international organisations and development partners;
- Develop a time-bound Action Plan for the implementation of the PIFC Strategy, including a cost estimation and budgetary impact.

Expected Result 4

- **Improvement in Debt Management**

Specific Conditions 4 & 5: see Table 1, Appendix 1

Activities

- Decide on the issuance volumes and benchmarks of short and long term Government securities;
- Decide on the issuance calendar of government bonds for the subsequent year;
- Review the internal organisation of the PDMD;
- Define new functional units (i.e. front, middle and back office) and staff descriptions for PDMD;
- Identify the areas to be amended in the legislation and regulations to accommodate the restructured PDMD;
- Revise the Charter of the Ministry of Finance to include the new structure of the PDMD;
- Recruit staff as necessary and carry out staff training.

In the area of Public Sector Transparency & Performance:

Expected Result 5

- **Approximation of Public Procurement policy and legislative framework to the EU Acquis.**

Specific Condition 6 & 7: see Table 1, Appendix 1

Activities

- Following the adoption of the Public Procurement Law, adopt regulations to ensure the implementation of the new Law, including the establishment of an Appeals body;
- Raise awareness on the importance of the Appeals body across Government. The purpose of the Appeals body is to ensure the effective implementation of the Public Procurement Law (Articles 46, 47) and ensure a truly independent complaints process;
- Establish the functions, organisational structure, staff requirements and budget of the Appeals body.
- Development of training curriculum and training plan for public procurement officers in line with the new Public Procurement Law.

In the area of Trade:

Expected Result 6

- **Approximation of the Sanitary and Phyto-sanitary policy and legislative framework to the EU Acquis.**

Specific Conditions 8, 9, 10 & 11: see Table 1, Appendix 1

Activities

- Form a working group of experts consisting of specialists in entomology, mycology/bacteriology, virology, nematology, weed science, economists as well as statisticians and crop specialists;
- Develop national PRA standard or set of guidelines, consistent with the international PRA standards;
- Train specialists on conducting pest risk analysis;
- Prepare risk analysis reports focusing on pest associated with crops of strategic significance for Armenia and main imported commodities.

- Conduct awareness campaign for producers and exporters of plants and plant products
- Train specialist in operating phyto-sanitary register;
- Maintain database of producers, importers and exporters of plant, plant products and regulated articles;
- Issue certificates and registration numbers to legal and physical entities registered in the state phyto-sanitary register.

- Define and estimate the risk of exposure and consequence of each of the OIE listed diseases registered in Armenia;
- Compare estimated risk of exposure and consequence of each of the OIE listed diseases registered in Armenia with the existing level of sanitary protection;
- Propose sanitary measures to increase protection against each of the OIE listed diseases registered in Armenia;

- Maintain register of documentation on communicating risk and measures proposed for its management to decision makers and interested parties in importing and exporting countries.
- Define subpopulations of terrestrial and aquatic animals and their health status with regard to the OIE listed diseases on the basis of geographical, natural, legal or artificial boundaries;
- Identify containment and protection zones for each of the OIE listed diseases on the level of terrestrial and aquatic animal subpopulations;
- Select sanitary measures to maintain an appropriate level of sanitary protection of terrestrial and aquatic animal subpopulations against each of the OIE listed diseases registered in Armenia;
- Maintain register of documentation on sanitary measures applied in containment and protection zones for protection of terrestrial and aquatic animal subpopulations against OIE listed diseases.

Expected Result 7

- **Approximation of the Technical Barriers to Trade framework to the EU Acquis.**

Specific Condition 12: see Table 1, Appendix 1

Activities

- Finalise and agree the Quality Infrastructure Reform Strategy with all stakeholders;
- Estimate the detailed cost of reforms in the Strategy;
- Discuss with the Ministry of Finance the prospect of incorporating the required expenditure in the Medium Term Expenditure Framework, including a realistic pacing and sequencing of action and corresponding financing.

Expected Result 8

- **Approximation of the Intellectual Property Rights (IPR) framework to the EU Acquis.**

Specific Condition 13: see Table 1, Appendix 1

Activities

- Identify institutions dealing with IPR issues and adopt procedures for collecting information on IPR issues from relevant institutions;
- Create database for IPR related documents;
- Identify the way of publishing the database to make it easily accessible for the wider public.

Complementary Actions:

In order for the Beneficiary institutions to fulfil the conditions mentioned in Appendix 1, it is foreseen to have complementary actions, among others, in the following sectors:

- Public Finance Management:

1. Chamber of Control (CoC):

A large need for capacity building has been identified for the CoC. As there are already other major donors involved (World Bank, DG Budget, Dutch Cooperation...), this will have to be further assessed with the Beneficiary. The Assistance could take the form of a specific Framework contract or a more comprehensive service contract depending on the areas already supported by other donors.

2. PIFC:

The Ministry of Finance has already informally expressed his wish to get the support of the EU delegation in this area. Sigma has strongly recommended the same, especially in the area of training line Ministries. The support could take the form of a specific Framework contract or a more comprehensive service contract.

3. Debt Management:

The Ministry of Finance has already sent to the EU Delegation an official request for support in this area. This could take the form of a specific Framework contract.

- Trade:

In this sector, the EU Advisory Group (EUAG) should play a major role in supporting the Beneficiary's institutions in the approximation of SPS, TBT and IPR's legislative framework to the EU Acquis.

1.3 Duration (in case of Budget Support this section applies only to complementary support):

The execution period of the Agreement will be 72 months. This execution period will comprise 2 phases under the conditions provided for in article 4.1 of the General Conditions (Annex I of the present Agreement):

1. Operational implementation phase that starts from the entry into force of the financing agreement and will have duration of 48 months.
2. Closure phase of a duration of 24 months that starts from the expiry date of the operational implementation phase.

Pursuant to article 6 of the General Conditions (Annex I of the present Agreement), the contracts implementing the financing agreement shall be signed at the latest within three years of the entry into force of the financing agreement (except audit and evaluation). That deadline may not be extended. ('sunset clause').

2. IMPLEMENTATION

2.1 Implementation method and Procurement and Payment clauses

The implementation method is Direct Centralised management by the European Commission.

The budget support component of the programme will be implemented through direct centralised management by the European Commission. The Government of the partner country will confirm that the relevant Treasury account has been credited and provide documentary evidence of the transfer, including the exchange rate used.

The complementary actions foreseen under the Programme will be implemented through direct centralised management.

Procurement Clause: All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

Payment Clause: All payments must be made by the Commission in accordance with the general and specific conditions of the Financing Agreement and with the procedures and standard documents drawn up and published by the Commission for the implementation of external operations in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by ENPI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) of the ENPI Regulation.

2.2 Budget and calendar

2.2.1 Budget

The overall amount for budget support will be €20 million with an additional €1 million for complementary actions.

	Indicative Total Amounts	EU contribution
Budget Support	€20,000,000	€20,000,000
Complementary actions, including :	€1,000,000	€1,000,000
<i>Technical Cooperation</i>	<i>€ 900,000</i>	<i>€ 900,000</i>
<i>Audit & evaluation</i>	<i>€ 50,000</i>	<i>€ 50,000</i>
<i>Visibility</i>	<i>€ 50,000</i>	<i>€ 50,000</i>

2.2.2 Calendar

The Programme will be part of the 2010 Action Programme with a total budget support of €20,000,000 intended for the Armenian fiscal years of 2012, 2013 and 2014.

The "budget support" component will be divided in one fixed tranche of € 8,000,000 planned for disbursement in 2012, and two variable tranches of € 6,000,000 planned for disbursement in 2013 and 2014 respectively. The detailed indicative timetable of disbursement of the fixed and variable tranches is described in Table 2, Appendix 2 of these Technical and Administrative Provisions.

An additional €1,000,000 is foreseen for the "complementary actions" component.

2.3 Performance monitoring and criteria for disbursement

2.3.1. Description of performance monitoring arrangements:

The basis for performance measurement is the monitoring and evaluation framework of Sustainable Development Programme (SDP), activities and indicators of ENP AP implementation, key Commission recommendations in trade-related regulatory and institutional reforms (in which Armenia will need to achieve sufficient progress before negotiations on the DCFTA part of the EU-Armenia Association Agreement may begin), as well as formal endorsement by the Government of the PEFA framework as a performance measurement tool for the Armenian PFM.

There will be two reviews in total; one for each annual variable tranche under the Programme. The reviews will assess progress and verify compliance with the conditions attached to the release of each of the variable tranche. The reviews will take place indicatively in the fourth quarter of 2012 and 2013 well in advance of the time in which disbursement of the variable tranches is envisaged (see Table 2, Appendix 2).

There is a systematic donor coordination framework co-chaired by the WB, USAID, UNDP and the EU in which all donors and bilateral agencies are invited to contribute. The meetings are organised in thematic groups covering, among other things, economic development, governance, rule of law, health, education and environment. The government's counterpart to the donor coordination framework is the Ministry of Economy. In 2008 the newly founded MoE took over the donor coordination role which was previously assigned to the unified Ministry of Finance & Economy. The EU National Coordination Unit (NCU) became a unit within the MoE. The Minister of Economy is the National Coordinator of EU assistance. There is an agreement with the IMF to collaborate on the issue of debt management¹. Similarly, there will be coordination and complementary action with the WB on the areas of public sector accounting and the

¹ See paragraph 20 of the IMF Letter of Intent and Stand-by Agreement review, 14 October 2009; <http://www.imf.org/External/NP/LOI/2009/arm/101409.pdf>

development of public external audit and the Chamber of Control (CoC), as well as issues concerning the improvement of the regulatory and administrative framework for public procurement.

Oversight of this Programme will be entrusted to a Steering Committee chaired by the Minister of Economy and whose members will include high-level representatives of the Ministry of Finance, Chamber of Control, State Procurement Agency, State Phyto-sanitary Inspectorate, Ministry of Agriculture, Intellectual Property Agency and the Delegation of the EU. Development partners involved in the sectors covered by the Programme or representatives of the EU member states may be invited to the Steering Committee with the status of observer.

The Steering Committee will meet at least twice a year and upon request of either the EU delegation or the Ministry of Finance to review progress and decide on any proposed modification of the Programme. To facilitate sound implementation of the Programme, the Steering Committee will foster compliance with the policy conditions referred to in Appendices 1 and 2 of these TAPs.

2.3.2. Criteria for disbursement:

The first tranche will be a fixed tranche and is planned to be disbursed in 2012 following the signature of the Financing Agreement and fulfilment of general conditions requiring the implementation of national strategy, macroeconomic and fiscal stability and progress in public financial management.

The subsequent two variable tranches planned for the 2013 and 2014 fiscal years will be subject to the continued compliance of the general conditions and the fulfilment of specific conditions in the areas of Public Financial Management, Public Sector Transparency & Performance and Trade.

The fixed tranche will require all the general conditions attached to the tranche to be met before disbursement. General conditions are outlined in Table 3, Appendix 2 of these Technical and Administrative Provisions.

The variable tranche allows for less than the full tranche to be disbursed in case of only partial compliance with the specific conditions. Specific conditions are outlined in Table 1, Appendix 1 of these Technical and Administrative Provisions. The weights assigned to each specific condition are stipulated in Table 4, Appendix 2.

The Government of Armenia will, at all times, make available to the European Commission (i.e. EU Delegation, technical assistance experts, and review missions) the following documentation related to the implementation of the Programme:

- *Reports on budget planning, formulation and execution of the Government institutions relevant to the Programme;*
- *Reports of public financial management reforms;*
- *Laws, Government Decrees, other legislative acts and administrative provisions, draft and final, related to the implementation of the Programme;*
- *Reports of and agreements with the Bretton Woods institutions;*
- *Government and other donor policy documents and reports, draft and final, relevant to the implementation of the Programme.*

General conditions for the disbursement of all tranches: details are given in Appendix 2

Specific conditions for disbursement of individual tranches: details are given in Appendix 1 and 2.

Analysis of the chosen performance indicators in Appendix 1 shows that they are of adequate quality to justify their use for the disbursement of budget support.

The chosen performance targets and indicators specified in Appendix 1 will apply for the duration of the

programme. However, in duly justified circumstances, the Ministry of Economy may submit a request to the EU Delegation for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

3. MONITORING, EVALUATION AND AUDIT

The Programme may be subject to evaluation(s). The objective of this/these evaluation(s) will be to compare the design and implementation of Programme through an analysis of the relevance, efficiency, effectiveness, impact and sustainability of the achievements of the Programme. Independent evaluators may be contracted by the European Commission in accordance with its internal procedures.

In addition, the Commission may send specific monitoring missions at any time to assess project progress.

All budget support disbursements can be subject to audit by the Court of Auditors of the EU. In addition, the European Commission may mobilise ad hoc audit missions if deemed necessary.

In particular, as far as the complementary actions component is concerned :

(a) Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial, monitoring system to the project, which will be used to elaborate the progress reports.

(b) Independent consultants recruited directly by the Commission (or the responsible body to which the monitoring task has been delegated) on specifically established terms of reference will carry out external monitoring ROM system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.

4. COMMUNICATION AND VISIBILITY

The Programme will be implemented in such a way that the best visibility is given, at all times, to the support of the European Union for the Programme, the achievements of its objectives and results obtained. Communication activities may include initiatives such as media coverage, press conference and press releases inter alia at the stage of the signature of the Financing Agreement and at the moment of disbursement of instalments.

Communication and visibility will be organised in conjunction with the National Coordinator (the Ministry of Economy) and other relevant Ministries in accordance with the "Communication and Visibility Manual for EU External Actions" so as to ensure the best visibility to the co-operation between EU and Armenia. The "Communication and Visibility Manual for EU External Actions" is available at:http://ec.europa.eu/europeaid/work/visibility/index_en.htm.

APPENDICES:

- 1 - Performance criteria and indicators used for disbursement
- 2 - Disbursement arrangements and timetable

Appendix 1: Performance criteria and indicators used for disbursements (budget support)

Table 1 – Expected Results and Specific Conditions for the disbursement of variable tranches

Area	Expected Result	Conditions for disbursement	Verification Source
Public Finance Management	1. Enhancement of the institutional role of Supreme Audit Institution; the Chamber of Control (CoC) of Armenia.	<p>1. Establishment of a register by the Government of Armenia to ensure implementation of Article 24, paragraph 2, part "6" of RA Law on CoC as well as to facilitate implementation of Prime Minister Decree 225-A of May 2008 and document:</p> <p>(i) the recommendations and conclusions made by the CoC to Government institutions, public executive institutions, local self-government institutions, civil society institutions and other organizations as a result of annual audits;</p> <p>(ii) the steps taken by Government institutions, public executive institutions, local self-government institutions, civil society institutions and other organizations to address or respond to the recommendations and conclusions made by the CoC in line with Law on Chamber of Control, article 24, paragraph 2, part "6" of December 2006, and;</p> <p>(iii) the steps taken by the Chamber of Control to follow up implementation of recommendations and conclusions by Government institutions, public executive institutions, local self-government institutions, civil society institutions and other organizations in the current year as well as in the year subsequent to the audit.</p> <p>The register is published and made easily accessible to the public.</p>	Government Decree and Government website
	2. Improvement of Public Sector Accounting.	2. Definition and adoption of Armenian Public Sector Accounting Principles accompanied by a time-bound strategy of implementation.	Government Decree
	3. Establishment of a Public Internal Financial Control (PIFC) framework.	3. Definition of the CHU internal structure and positions, objectives and responsibilities as specified in the Strategy and time-bound Action Plan for the introduction of PIFC, adopted by Government Decree (protocol number N 44) on 11 November 2010.	Order of the Ministry of Finance

Area	Expected Result	Conditions for disbursement	Verification Source
	4. Improvement in Debt Management.	<p>4. Publication of the annual public internal debt issuance policy and corresponding calendar.</p> <p>5. Reorganisation of the Public Debt Management Department in the Ministry of Finance in line with the 2011-2013 Public Debt Strategy (Ministerial Order 150/a, 2010) and adoption of the new structure and charter.</p>	<p>Ministry of Finance website</p> <p>Order of the Ministry of Finance</p>
Public Sector Transparency & Performance	5. Approximation of Public Procurement policy and legislative framework to the EU Acquis.	<p>6. Establishment of an Appeals body responsible for dealing with Public Procurement complaints in line with the new Public Procurement Law².</p> <p>7. Approval of order for procurement appeals. Approval of training curriculum for procurement officers including members of Appeals Body Council programmes for development of necessary capabilities.</p>	<p>List of members of the Appeals body council to be announced by the Ministry of Finance</p> <p>Decision of Procurement Appeals Council: order of the Ministry of Finance</p>

² Public Procurement Law adopted on 22 December 2010 and enforced as of 1 January 2011.

Area	Expected Result	Conditions for disbursement	Verification Source
Trade	6. Approximation of the Sanitary and Phyto-Sanitary (SPS) policy and legislative framework to the EU Acquis.	<p>8. Preparation and submission of risk analysis report for quarantine organisms to the International Plant Protection Convention Secretariat based in the Food & Agricultural Organisation (FAO) and issuance of appropriate notification to the WTO Secretariat.</p> <p>9. Establishment of a phyto-sanitary register of producers, importers and exporters of plants and plant products.</p> <p>10. Preparation and submission of risk analysis report on the terrestrial and aquatic animal diseases listed by the International Office for Epizootic (OIE) to the OIE and issuance of appropriate notification to the WTO Secretariat.</p> <p>11. Preparation and submission of a report on zoning and compartmentalisation³ of the territory of Armenia documenting the presence, distribution or absence of OIE listed terrestrial and aquatic animal diseases to the OIE and issuance of appropriate notification to the WTO Secretariat.</p>	<p>FAO and WTO notification of receipt and comments</p> <p>Database of State Phyto-sanitary Inspectorate, Ministry of Agriculture</p> <p>OIE and WTO notification of receipt and comments</p> <p>OIE and WTO notification of receipt and comments</p>
	7. Approximation of the Technical Barriers to Trade (TBT) framework to the EU Acquis.	12. Adoption of the Strategy on the Reforms of Quality Infrastructure. The Strategy will include a detailed estimation of the budgetary impact of the implementation of the Strategy.	Government Decree
	8. Approximation of the Intellectual Property Rights (IPR) framework to the EU Acquis.	13. Establishment of a register for IPR related legislation, sub-legislative acts, court rulings and international treaties. The register is published and made easily accessible to the public.	Intellectual Property Agency website

³ 'Zoning and Compartmentalisation' defined as in OIE Aquatic and Terrestrial Animal Health Codes. http://www.oie.int/eng/normes/mcode/en_sommaire.htm
http://www.oie.int/eng/normes/fcode/en_sommaire.htm

Appendix 2: Disbursement arrangements and timetable (budget support)

1. Responsibilities

On the basis of the conditions for disbursement set out in this Financing Agreement the Minister of Economy shall make a formal request to the Commission for each tranche disbursement on the dates set out in Table 4 below, including (i) the fullest possible analysis and justification for the release of funds, including supporting documentation which should be annexed; and (ii) a duly signed Financial Identification Form in order to facilitate subsequent payment.

2. Indicative disbursement timetable

An indicative disbursement timetable is set out below.

Table 2 - Summary Indicative disbursement timetable (in Million Euros)

	Fiscal Year 2012				Fiscal Year 2013				Fiscal Year 2014	TOTAL
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	1 st Quarter	
Fixed tranche	8.0									8.0
Variable tranches					6.0				6.0	12.0
TOTAL	8.0				6.0				6.0	20.0

3. General conditions for tranche release

The General Conditions for tranche release set out below shall apply to the disbursement of all tranches (fixed and variable ones) and all requests for tranche release shall be accompanied by supporting information on this matter.

Table 3 – General Conditions for the disbursement of fixed and variable tranches

Area	Conditions	Source of verification
National policy and strategy	<p>Satisfactory progress in the implementation of the Sustainable Development Programme (Government Decree 1207-N, October 2008) or if possible revised Programme to take into account the effects of the global economic crisis.</p> <p>Satisfactory progress in the implementation of the EU-Armenia European Neighbourhood Policy Action Plan.</p>	<p>Government bulletins on progress and revisions of the SDP.</p> <p>Government's progress reports on implementation of ENP AP in accordance with the Order of the President NK-68-A, May 6, 2009</p>
Macroeconomic and fiscal stability	Satisfactory progress in the implementation of the Extended Fund Facility and Extended Credit Facility.	IMF Country Reports and Article IV consultations.
Public finance management	Satisfactory progress in the public financial management reform agenda.	<p>PEFA assessment.</p> <p>Public Financial Reform Strategy implementation reports</p>

4. Specific Conditions for tranche release

The specific conditions for tranche release apply to individual variable tranches in addition to General Conditions which are applicable to all tranches (fixed and variable ones).

Table 4 – Specific Conditions for the disbursement of variable tranches

Tranche	Amount (euros)	Indicative date of Request for Disbursement	Indicative Disbursement date	Conditions for disbursement	Weight in Variable Tranche
Fixed Tranche	€ 8 million	4 th quarter 2011	1 st quarter 2012	General Conditions as defined in Appendix 2/Table 3	N/A
1 st Variable Tranche	€ 6 million	4 th quarter 2012	1 st quarter 2013	General Conditions as defined in Appendix 2/Table 3 Condition 1 as defined in Appendix 1/Table 1 Condition 3 as defined in Appendix 1/Table 1 Condition 4 as defined in Appendix 1/Table 1 Condition 6 as defined in Appendix 1/Table 1 Condition 12 as defined in Appendix 1/Table 1 Condition 13 as defined in Appendix 1/Table 1	N/A 20% 10% 10% 20% 20% 20%
2 nd Variable Tranche	€ 6 million	4 th quarter 2013	1 st quarter 2014	General Conditions as defined in Appendix 2/Table 3 Condition 2 as defined in Appendix 1/Table 1 Condition 5 as defined in Appendix 1/Table 1 Condition 7 as defined in Appendix 1/Table 1 Condition 8 as defined in Appendix 1/Table 1 Condition 9 as defined in Appendix 1/Table 1 Condition 10 as defined in Appendix 1/Table 1 Condition 11 as defined in Appendix 1/Table 1	N/A 20% 20% 20% 10% 10% 10% 10%

The conditions for disbursement under the variable tranche are fixed for the duration of the programme, but may be modified in accordance with the TAPs section 2.3.2 of this Financing Agreement.

5. Modalities of assessment of performance in the case of variable tranches

The Programme foresees two variable instalments of up to a maximum of € 6 million each, respectively in 2013 and 2014.

Variable instalments allow for less than the full instalment to be released in the case of only partial compliance with the indicators conditioning the release of instalments, defined in Appendix 1/Table 1.

The underlying principle for the calculation of performance of conditions that determine the disbursement of the variable instalment will be as follows:

- If the agreed condition is met or considerable progress is made: the awarded score is 1;
- If the agreed condition is not met but positive progress is noted: the awarded score is 0.5; and
- If the agreed condition is not fulfilled and where progress is negligible: the awarded score is 0.

The volumes of the variable instalments are determined in the following way:

For each instalment, each of the applicable condition presented in the table of 4 is awarded a score point S as explained above. The amount to be paid P is calculated as follows

$$P = VT \times (\Sigma [S*W]) ,$$

Where VT is the amount of the respective variable tranche (€ 6 million) and W is the relative weight as specified in the far-right column in the Table 4.

All funds withheld because of lack of compliance will be lost to the Programme.