

**TECHNICAL AGREEMENT
BETWEEN

THE

THE MINISTRY OF FOREIGN AFFAIRS AND
INTERNATIONAL COOPERATION
OF THE REPUBLIC OF ITALY

AND

THE MINISTRY OF FINANCE AND
ECONOMIC DEVELOPMENT OF THE
FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

For the implementation of the Programme: **"Support to the WASH sector in urban areas"**

The Ministry of Foreign Affairs and International Cooperation of the Italian Republic (hereinafter referred to as "MAECT") and the Ministry of Finance and Economic Development on behalf of the Federal Democratic Republic of Ethiopia (hereinafter referred to as "MoFED") hereinafter referred to as the "Parties", have decided to enter into this Technical Agreement (hereinafter referred to as the "Agreement"):

- WHEREAS in the framework of the Growth and Transformation Plan (hereinafter referred to as "GTP") of the Ethiopian Government, currently under implementation with the support of the Donor Community and the Italian Government, the Water Supply, Sanitation and Hygiene Services (hereinafter referred to as "WASH") sector is considered a pillar of the national strategy against poverty;
- WHEREAS to accelerate progress in the water and sanitation sector, the Government of Ethiopia, in collaboration with its development partners has designed the ONE WASH NATIONAL PROGRAM (hereinafter referred to as "OWNP") which aims at harmonizing different approaches and modalities into a common operational framework.
- WHEREAS in March 2006, the Ministries of Water Irrigation and Energy (hereinafter referred to as "MoWIE"), Health (hereinafter referred to as "MoH") and Education (hereinafter referred to as "MoE") of the Government of Ethiopia signed the Memorandum of Understanding on Water, Sanitation and Hygiene (hereinafter referred to as "WASH MoU") to coordinate the efforts and start joint operations for planning, implementation and monitoring of water supply, sanitation and hygiene in communities, schools and health institutions;
- WHEREAS the Ethiopian and the Italian Governments have signed, on May 30th 2013, the Ethio-

Italian Cooperation Framework 2013-2015. In this context, the Ethiopian Ministry of Finance and Economic Development (hereinafter referred to as "MoFED") and the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (hereinafter referred to as "MAECI/DGCS") have agreed on the provision of funds in support of the WASH sector, for years 2013-2015, in alignment with the OWNP.

- WHEREAS The Ethiopian and the Italian Governments have signed, on December 8th 2014 the Development Cooperation Framework Agreement, which entered in force on April 23th 2015. As per Article 1, "the Agreement regulates the activities of development cooperation financed by Italy, the subsidiary agreements for their implementation and the status of entities, institutions and organisations involved". In this context, as per Article 2.1 and 2.2 "Ethiopia is represented by the Ministry of Finance and Economic Development"; "Italy is represented by the Ministry of Foreign Affairs - Directorate General for Development Cooperation through the Embassy of Italy".
- WHEREAS in November 2014 the Water Resources Development Fund (hereinafter referred to as "WRDF") submitted for the consideration of the Italian Development Cooperation/Local Technical Unit in Addis Ababa (hereinafter referred to as "IDC/UTL") a formal request of contribution to the revolving fund managed by WRDF for construction, rehabilitation and extension of urban water schemes for small and medium towns.
- WHEREAS the Government of Ethiopia, requested IDC/UTL, Agence Française de Développement (AFD) and European Investment Bank (hereinafter referred to as "EIB") to provide financial support for a water and sanitation supply programme in Ethiopian small and medium towns.
- WHEREAS the Steering Committee of the Italian Development Cooperation has approved the financing of the Programme "Support to the WASH sector in urban areas" on 24-03-2015.

Acronyms:

AFD: Agence Française de Développement
AP: Action Plan
MAECI/ DGCS: Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation
EIB: European Investment Bank
EoI: Expression of interest
FPR: Final Project Report
GOE: Government of Ethiopia
GOI: Government of Italy
IBF: Investment Basket Fund
ICB: International Competitive Bidding
IDC: Italian Development Cooperation
IDC/UTL: Italian Development Cooperation/Local Technical Unit
IE: Italian Expert
MoFED: Ministry of Finance and Economic Development
MoWIE: Ministries of Water Irrigation and Energy
NBE: National Bank of Ethiopia
NCB: National Competitive Bidding
OWNP: One WASH National Programme
PID: Project Implementation Document
PIC: Person in Charge
PIM: Project Implementation Manual
PIU: Project Implementation Unit
RWB: Regional Water Bureau
SAR: Semi Annual Report
SC: Steering Committee
TABF: Technical Assistance Basket Fund
TAMU: Technical Assistance and Monitoring Unit
TOR: Term of Reference
TWU: Town Water Utility
WRDF: Water Resources Development Fund

The Parties hereby agree as follows:

ARTICLE 1

SCOPE AND CONTENTS OF THE AGREEMENT

1. The present Agreement is aimed at:
 - Establishing the mutual obligations of the Parties concerning the implementation of the Programme;
 - Defining crediting, disbursement, procurement, monitoring, evaluation, control and reporting procedures.
2. This Agreement consists of the present Text, the Programme Implementation Document (PID) hereto attached in Annex A and the eligibility criteria, ethic clauses and contract general principles document hereto attached in Annex B

ARTICLE 2

PROGRAMME OBJECTIVES

The **Overall Objective** of the Programme is to improve health and hygienic conditions of the population by enforcing the National WaSH Programme and by acting through the strategic national plan for the access to water, sanitation and hygiene (Millennium Development Goal -MDG n.7 target n.2,3), adopted by the Universal Access Plan of the Government of Ethiopia.

The **Specific Objective** of the Programme is to improve access to clean water and sanitation services in WRDF selected towns, through increasing water resources, rehabilitating, constructing, expanding water networks, upgrading public sanitation infrastructures, setting up capacity of Town Water Utilities (hereinafter referred to as "TWUs") in planning, managing, operation and maintenance and of WRDF in managing loans.

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

3.1 Contribution of MAECI

The total financial contribution of the MAECI consists in a Loan and Grant up to a ceiling of **EURO 18,500,000** (eighteen million and five hundred thousand EURO/00), divided as follows:

LOAN -EURO 15,000,000 (hereinafter referred to as "Loan") for the physical implementation of the WASH projects for the selected towns. This amount shall be directly transferred to WRDF, which is the recipient executing agency. This amount will be part of the Investment Basket Fund (hereinafter referred to as the "IBF").

The financial conditions are the following:

- Annual interest rate: 0,00%;
- Repayment: 40 years of which 27 of grace period, in equal, consecutive, and deferred instalments"

GRANT -EURO 3,500,000(hereinafter referred to as "Grant") for the Technical Assistance (TA) at WRDF and Regional Water Bureaus (RWBs)/TWUs level in order to strengthen the capacity in managing the IBF and the new infrastructures. This amount shall be directly transferred to the WRDF, which is the recipient executing agency. This amount will be part of the Technical Assistance Basket Fund (hereinafter referred to as the "TABF").

3.2 Contribution of the Ethiopian Party

The Ethiopian Party shall ensure that Regional Governments, Town Administrations and, where appropriate, Town Water Utilities share the costs of the Programme. It has been estimated that GOE will provide approximately **20%** of the total amount of the Donor contribution (Grant and Loan), which includes VAT and other taxes, duties, clearing and storage charges and any other levies to be paid in Ethiopia for the execution of the programme activities shall be borne by GOE. The Ethiopian Party shall also ensure that WRDF and RWBs contribute with human, financial and logistic resources necessary for the execution of the Programme activities.

3.3 Contribution from other donors:

- EUR 20M in soft Loan by AFD, coupled with a EUR 1M Grant;
- EUR 40M in soft Loan by EIB, coupled with a EUR 1,9M Grant.

ARTICLE 4

INSTITUTIONS AND BODIES INVOLVED IN THE IMPLEMENTATION OF THE AGREEMENT

The main Institutions and Bodies involved in the implementation of the Agreement are:

1. For the Ethiopian Party:

- The **Ministry of Finance and Economic Development of Ethiopia (MoFED)**, representing the GOE counterpart for the Agreement of the MAECI/DGCS for the Agreement.
- The **Ministries of Water Irrigation and Energy (MoWIE)**, representing the Institution responsible for the supervision of the activities. It is represented by one delegated person in the Steering Committee (see article 5.1 of this Agreement).
- The **Water Resources Development Fund (WRDF)**, acting as the main executing recipient agency of the Programme and implementing agency for capacity building activities. It is the body in charge to deliver loans to the Town Water Utilities for the

implementation of water supply and sanitation projects.

- The **National Bank of Ethiopia** (hereinafter referred to as "NBE"), acting as administrator of the IBF and TABF accounts in Euro and Birr into which all Development Partners involved (IDC, AFD and EIB) shall pool financial resources.
 - The **Regional Water Bureaus (RWBs)**, acting as co-financing agencies and as implementing bodies in support of the Town Water Utilities.
 - The **Town Administrations and their Water Boards**, bodies in charge of Programme supervision at local level
 - The **Town Water Utilities (TWUs)**, representing the final recipient of the loans delivered by the WRDF and acting as main implementing agencies.
2. For the Italian Party:
- The **Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI/DGCS)**, representing the Italian counterpart for the Agreement and acting as Financing Agency for the Loan and Grant.
 - The **Italian Development Cooperation/Local Technical Unit (IDC/UTL)** representing MAECI/DGCS in Ethiopia for the implementation of this Agreement. It is responsible for the supervision of the bilateral cooperation activities between Italy and Ethiopia.
 - The **Technical Assistance and Monitoring Unit** (hereinafter referred to as TAMU). In order to facilitate an effective implementation of the Programme, a Technical Assistance and Monitoring Unit (hereinafter referred to as TAMU) shall be established at IDC/UTL level to monitor WRDF operations. The TAMU will be staffed with Italian Experts (hereinafter referred to as IEs) designated by MAECI/DGCS, in agreement with WRDF, local experts and support personnel. The PIC will be the direct counterpart of the TAMU's IE. The PIC and the IE will work in regular consultation and agreement for the daily activities of the Programme.
 - **Artigiancassa S.p.A** (hereinafter referred to as "Artigiancassa"), the Italian Financial Institution appointed by the Italian counterpart to sign the Financial Agreement with MoFED. Artigiancassa will act as lender for the Loan on behalf of MAECI/DGCS providing all the transfers requested by MoFED and receiving the repayments with the Financial Agreement.

The Parties, having properly informed all the above-mentioned Institutions and Bodies, will provide them with a copy of the present Agreement. The Parties will ensure that such Institutions and Bodies will fulfil, for what concerns to each of them, the obligations of the Agreement.

ARTICLE 5

GOVERNANCE OF THE PROGRAMME

1. A **Steering Committee** (hereafter referred to as "SC") will be put in place. It will be composed by the board of the WRDF, one representative of AFD, one of IDC/UTL and one of EIB. The SC will be in charge of the overarching supervision of the Programme. It shall meet annually to evaluate the progress towards the achievement of objectives, the adherence/alignment with national sectoral policies and to endorse the Plan of Action for IDC Grant and the annual operational plan for proposed by the WRDF for the Loan component. All the decisions of the SC must be unanimously taken. It will meet under request of one of its members, at least once a year or any time decisions are required. Costs associated with the participation to the meetings, if any, will be borne by the respective institutions.
2. The Programme shall comply with the framework of the OWNPN, and shall follow the WRDF Programme Implementation Manual for the execution of funds on water & sanitation. WRDF shall operate in consultation and full cooperation with the Regional Water Bureaus of the selected localities.
3. The execution of the Programme shall be under the responsibility of WRDF. The WRDF shall assign or recruit key personnel involved in the Project, including the Person in Charge, whose roles and responsibilities are defined in article 5.4 of this Agreement.
4. The **Person in Charge** (hereafter referred to as "PIC") will be the WRDF General Manager or any other WRDF staff selected by the General Manager. He/she will be responsible for the management of the Loan and Grant and the Ethiopian funds provided under the present Agreement. The PIC will be supported by staff of the WRDF. He/she will sign all reports and requests for transfer of funds according to the relevant provisions of the Agreement and will have towards the Parties the responsibility to ensure the full implementation of the Agreement. The PIC, under the overall guidance of the SC, shall also steer and coordinate the technical assistance provided to the Programme.

ARTICLE 6

CREDITING MODALITIES OF ITALIAN FUNDS

The Programme will be co-financed by IDC, AFD and EIB. The programme is not split into parts corresponding to different donors. To the extent possible, IDC, AFD and EIB disbursements shall be made on a *pari passu* basis following the same conditions and modalities described below.

6.1 Bank Accounts

- The financial resources provided by the Italian side through the Loan under the present Agreement will be transferred to the "EURO IBF Account", into which all the Development Partners contributing shall pool financial resources for Investment purposes. The funds allocated to this component will be then transferred to the "BIRR WRDF Investment account".
- The financial resources provided by the Italian side through the Grant under the present Agreement will be transferred to the "EURO TABF Account". The funds allocated to this component will be then transferred to the "BIRR WRDF Technical Assistance

account".

6.2 Instalments

LOAN: Upon entering into force of the present Agreement and the signature of a financing agreement between MoFED and the Italian intermediary bank Artigiancassa, and pursuant to the following clauses of this Agreement, the same Artigiancassa will transfer the funds, in three equal instalments of **EURO 5.000.000** each, according to the following crediting procedures for a total amount of **EURO 15.000.000**.

GRANT: Pursuant to the following clauses of this Agreement, upon signature of the present Agreement and completion of its internal procedures, MAECI/DGCS will transfer **EURO 3,500,000** in one instalment according to the following crediting procedures.

6.3 Crediting procedures

LOAN.

Upon entering into force of this Agreement and Financing agreement, the following pre-conditions will have to be fulfilled prior to the start up of the crediting procedure by MAECI/DGCS of the **first disbursement**:

- a) Formal approval by WRDF's management board of the PIM, after no-objection from donors' sides;
- b) The signature of an on-granting agreement between MoFED and WRDF, after no objection of donors;
- c) Written evidence from WRDF that key supporting staff (a senior accountant and a senior procurement officer, funded with the TA Grant contribution) at WRDF level is under recruitment (elaboration of the job description and publication of the vacancy announcements);
- d) A four-year programmatic plan from the WRDF.

Pre-condition for the disbursement of **following installments** are:

- e) 70% of the last tranche is spent and justified, 100% of the previous tranche is spent and justified;
- f) An annual operational plan is produced and approved by the Steering Committee. The document shall include a disbursement plan for both the Loan and the Grant components;
- g) Submission of the latest annual audit report prepared in accordance with article 8.

GRANT

Upon entering into force of this Agreement and Financing agreement, the following pre-conditions will have to be fulfilled prior to the start up of the crediting procedure by MAECI/DGCS of the **first instalment**:

- a) WRDF shall have assigned the PIC;
- b) MoFED shall have informed the Italian Embassy regarding the details of the "EURO TABF Account"; PIC shall submit a specific request for the crediting of the instalment to MAECI/DGCS through the Italian Embassy.

6.4 Taxes

The Italian contribution, as detailed in article 3.1 of this Agreement, cannot cover taxes, VAT, duties, clearing and storage charges and any other levies to be paid in Ethiopia. In case any of the above expenses are needed for the execution of the Programmes activities, they will be covered by the Ethiopian contribution (see article 3.2 of this Agreement).

ARTICLE 7

ACTIVITIES AND FINANCIAL REPORTS

7.1 LOAN

1. The WRDF will provide a four-year programmatic plan as a precondition for the first disbursement of the loans as well as annual operation plans for each new disbursement taking into account the audit report.
2. The WRDF will provide an Annual Operational Plan as per article 6.3-f

7.2 GRANT

1. Within 30 days from the receipt of the Grant, WRDF with the support of the TAMU, shall prepare the first Action Plan (AP) relative to the entire amount of funds or part of it. Each AP shall be submitted to the PIC and the Steering Committee for endorsement and subsequently approved by IDC/UTL. After approval of the AP by the IDC/UTL, WRDF can start utilizing the funds.

7.3 Other activities and financial reports common for all donors

1. The WRDF will provide joint financial and technical reporting to IDC, AFD and EIB every six months. The report will analyze the utilization of the entire IBF fund and of each Grant component of the Programme. The technical assistance will support the WRDF in drafting such reports.
2. The six months report, shall include two sections reporting the description of the activities carried out (first section) and the relevant financial, administrative, procurement information only for all NCB procedures (second section). The first section shall also include a specific report produced by the PIC on the performance, the efficiency and the effectiveness of the technical assistance provided to the Project. The first of such reports shall cover the first six months of activity starting from the date in which the funds have been credited. The last of the six months report produced shall also have the function of Final Project Report (FPR).

3. Day to day monitoring activities of the Programme shall be responsibility of the WRDF in collaboration with PIUs at RWBs and the TWUs and shall be performed in accordance to the PIM.
4. The PIC is responsible for maintaining an updated accounting system that contains records to ensure the accuracy and reliability of Programme financial information and reporting. The accounting system shall also ensure that supporting documents (statements of expenditure, bidding documents, contract documents etc.) are properly identified and that approved/amended budgetary lines are not exceeded. The original documents must be kept in WRDF offices. The accounting system and/or record keeping must track the advances received and the expenditure records by the Programme. Financial reports, statements of the executed expenses and contracts shall be presented to SC whenever required.

ARTICLE 8

EXTERNAL AUDITING AND MONITORING & EVALUATION ACTIVITIES

8.1 Auditing modalities:

Audits will be performed by an independent auditing firm selected based on a call for tenders or assigned by the Office of the Federal Auditor General. EIB and AFD (the latter on behalf also of IDC), will give a no-objection on the TORs, the selection process and the contract. The auditor will audit yearly the disbursements under the Programme, both on IBF and TABF, on basis of the Ethiopian fiscal year.

Audit reports shall be made available no later than six (6) months after the last day of each fiscal year.

LOAN

The external audit will focus on both:

- Administrative and financial aspects: compliance with PIM procedures (including procurement process, bidding document preparation, selection and awarding process)
- Technical aspects: compliance with the technical clauses of the contracts, infrastructure quality check, compliance and follow up of the projects impact indicators.

The final audit should justify the use of 100% of the tranches.

Audit will be performed on the Loan component as well as on and the Grant component when applicable.

GRANT

The AP, excluding the first, must be supported by an external audit that certifies the regularity of the expenses and of procurement disbursements, relative to the fiscal year. The audit will also certify the regularity of procurement procedures.

8.2 Other activities

Parties will have the right to perform, at their own expenses, all the monitoring & evaluation, control and auditing activities that shall be deemed necessary. Joint (ongoing, final and ex-post) evaluation activities will be organized by MAECI/DGCS through its IDC/UTL office and MoWIE whenever deemed appropriate.

ARTICLE 9

USE OF ITALIAN FUNDS

In the event of the unsatisfactory progress of programme activities as resulting from review missions performed by the Donors, and of a consequent decision of international donors to withdraw funds from the Programme, the Italian funds already disbursed and not spent will be made available to the MAECI/DGCS.

9.1 Reallocation of funds

LOAN

The IBF is not subject to reallocation of funds because the financial allocation for each TWU selected shall be determined through the technical and financial appraisal performed by WRDF.

GRANT

Budget lines reallocations in respect to the Programme Budget in EURO, detailed in the PID, are allowed during the preparation of the AP and within the limits and subject to the conditions established in the following articles. Requests for reallocations will be submitted by the PIC to the TAMU for non objection advice according to the following condition:

Budget lines reallocations, up to a maximum of +/-20% of the original agreed amount of each budget line within the Budget in chapter 6.2, shall be submitted to IDC/UTL for prior written approval. Budget reallocations approved by IDC/UTL do not require this Agreement to be amended.

Budget lines reallocations exceeding the +/-20% of the original Budget line amounts of the table in chapter 6.2 and within the total Budget shall be submitted, through IDC/UTL, to MAECI/DGCS in Rome for prior written approval. Budget reallocations approved by MAECI/DGCS do not require this Agreement to be amended.

9.2 Interests accrued and savings

Any interest generated in the accounts shall be used for the same purposes and with the same procedures outlined in this Agreement, prior approval of the SC.

9.3 Procurement activities

Procurement activities will be performed at local level by Town Water Utilities (TWUs), with the assistance of WRDF and Regional Water Bureaus, according to the budget allocations and following the existing World Bank's guidelines and procedures. They must also meet the eligibility criteria for contractors, eligible and ineligible costs, ethical clauses, contract general.

Thresholds are:

	ICB thresholds	NCB thresholds
Services	More than 400 001 € per contract for firms More than 100 001 € for individual consultant	Less than 400 000 € per contract for firms Less than 100 000 € for individual consultant
Goods	More than 400 001 €	Less than 400 000 €
Works	More than 5 000 001 €	Less than 5 000 000 €

LOAN

IDC, AFD and EIB hold the right to review WRDF's procurement decisions in order to ensure that activities have been conducted transparently and efficiently in conformity with established guidelines and Participants' bilateral financing agreements.

For all ICB processes, regarding the entire amount of the Programme, prior no objection from EIB and AFD (the latter on behalf of IDC), will be required at all steps: bidding document preparation (expression of interest, terms of reference, request for proposals), selection process, financial opening and awarding of the related contract.

For all NCB processes, regarding the entire amount of the Programme, EIB and IDC (the latter on behalf of AFD), will perform an ex-post review of all procurement procedures on the basis of the latest semi-annual financial and technical reporting (see Article 7.3.1) and an annual audit report (see Article 8.1) presented by the WRDF precedent to every disbursement of all Participants subsequent to the first one.

All the procurement procedures, both for ICB and for NCB, shall be reviewed by the PIC.

Procurement for construction and rehabilitation activities will follow in general the specific provisions of the Programme Implementation Manual (PIM).

GRANT

Procurement activities must also meet the eligibility criteria for contractors, eligible and ineligible costs, ethical clauses, contract general principles reported in Annex B of this Agreement.

The IDC/UTL holds the right to review procurement decisions in order to ensure that activities have been conducted transparently and efficiently in conformity with established guidelines.
Procurement procedures are:

For all **ICB** processes, draft bidding documents (including the general and special conditions for contractors, invitation to bid, instructions to bidders and the bidding evaluation criteria) and proposals for contract award shall be submitted to MAECI/DGCS through IDC/UTL office in Ethiopia by PIC for prior "No Objection":

After "No Objection" by MAECI/DGCS is obtained, the PIC will prepare a technical support document for adopted tender procedures, signed by IDC/UTL, necessary to authorize Town Water Utilities for floating tenders and contracts awarding.

For all **NCB** processes, procurement documents and documents regarding selection and awarding of the contractor will be subject to a Post Review by the IDC/UTL at any time it is required. A positive result of the Post Review will be a condition to consider the contract eligible for financing out of the funds provided.

All the procurement procedures, both for ICB and for NCB, shall be reviewed by the PIC.

ARTICLE 10

OBLIGATIONS FOR THE ETHIOPIAN PARTY

1. The MoFED shall ensure that the Italian funds are properly and timely used.
2. The MoFED shall communicate to the IDC/UTL, upon the entry into force of the present Agreement, bank accounts details according to what described in article 6 of this Agreement.
3. The MoFED shall make sure that all the Ethiopian bodies and institutions involved in the Programme implementation will observe the provisions of this Agreement, in particular that financial and technical reports, necessary for funds disbursements, shall be timely submitted to MAECI/DGCS according to articles 6 and 7 of this Agreement.
4. In case there is a need for hard currency as per contract agreement for importation of goods for the projects, the Ethiopian Party shall facilitate the provision of hard currency for the contractors in line with the provisions of article 9 of this Agreement.

ARTICLE 11

OBLIGATIONS FOR THE ITALIAN PARTY

1. MAECI/DGCS shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.
2. MAECI/DGCS shall accomplish all the required activities for the supervision, monitoring and evaluation of the Programme. It shall dedicate particular attention to the efficiency for funds utilization and to the effectiveness of Programme implementation.

3. MAECI/DGCS shall report to MoFED about the funds disbursed for the Programme (Loan and Grant) within the usual quarterly reporting of the Italian Development Cooperation initiatives in Ethiopia.

ARTICLE 12

SETTLEMENT OF DISPUTES

Any dispute between the Parties arising out of the implementation of this Agreement shall be settled amicably by consultations or negotiations between the Parties through diplomatic channels.

ARTICLE 13

IMPEDIMENTS AND FORCE MAJEURE

In case of impediments to implement this Agreement due to case of force majeure such as war, flood, fire, typhoon, earthquake, labour conflicts and strikes, civil unrest acts of any government, unexpected transportation difficulties and other cases which will be recognized by both Parties upon agreement as force majeure according to practice or in case of peril or unsafe conditions for the expatriate personnel, the following provisions shall apply:

- In case that the duration of the impediment to the implementation of the Programme is less than six months, the use of the funds shall be suspended until MAECI/DGCS authorizes resumption of activities.
- In case the duration of the impediment to the implementation of the Programme is greater than six months, the Programme shall be suspended and the residual funds shall be maintained until the impediment finishes and MAECI/DGCS authorizes resumption of the Programme activities.

ARTICLE 14

PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

MoFED, MoWIE, WRDF and RWBs shall ensure that the funds provided by MAECI/DGCS under this Agreement will be used strictly in accordance with the provisions of this Agreement. MoFED and WRDF commit themselves to take all reasonable measures to ensure an efficient administration of the aforementioned funds and prevent any abuse and illegal use thereof.

ARTICLE 15

RESOLUTION OF THE AGREEMENT

1. MAECI/DGCS reserves the right to resolve this Agreement in the following cases, due to severe fault by WRDF and MoFED, i.e.:
 - Unmotivated and prolonged delays in the use of the funds such to threat the achievement of Programme objectives.
 - The use of the funds for reasons different than those included in this Agreement and its annexes or its amendments.
 - Severe mismanagement of the funds.
 - In the event of failure to implement, or to report on, the program in a manner consistent with the terms of this Agreement.
 - In case of impediment or force majeure as per article 13 of this Agreement.
2. In case of the above mentioned severe fault, MAECI/DGCS shall notify the event in writing to MoFED, inviting it to take the measures necessary to solve the fault within maximum sixty days from the date of the notification. Passed this time limit, MAECI/DGCS reserves itself the right to terminate immediately this Agreement. In this case the provisions contained in article 12 of this Agreement shall apply.
3. In the cases mentioned above, MAECI/DGCS may decide unilaterally the termination of this Agreement notifying, through Verbal Note, MoFED with at least three months in advance. In all cases, after such notification, MoFED shall stop all activities of the Programme, unless otherwise agreed between the two Parties.

ARTICLE 16

AMENDMENT TO THE AGREEMENT

1. This document constitutes the entire Agreement between the Parties and may be altered or varied only by prior written agreement of the Parties and in full respect of its articles no Party shall be bound by any express or implied term, representation, warranty, promise or the like not recorded herein or otherwise created by operation of law.
2. The Parties may amend this Agreement, at any time by means of exchange of letters.

ARTICLE 17

ENTRY INTO FORCE, DURATION AND TERMINATION

1. This Agreement shall come into force upon signature of the parties and shall remain in force until the complete reimburse of the Loan.
2. At the end of the Programme activities, the FPR (in line with article 7) shall include an additional section dedicated to the status of the loans disbursed to the TWUs and the plan of

- foreseen repayments. On the basis of this information an exchange of Verbal Notes between the Parties shall define the modalities for possible controls by MAE/DGCS of the funds therefore returning to the WRDF in due time and to be used by WRDF.
3. The Agreement may be terminated by either Parties giving 3 (three) months written notice in advance, through the diplomatic channels, of its intention to terminate the Agreement. Funds not credited at the date of termination of the present Agreement shall be returned to the MAECI/DGCS.
 4. If, for any reason, the execution of this Agreement cannot be completed in conformity with the provision of this Agreement, the Parties shall consult each other on the matter. The funds not yet credited and/or committed shall be utilized only upon a specific agreement between the Parties, otherwise they shall be returned to MAECI/DGCS.

In witness whereof the undersigned have signed and sealed this Agreement in the English language in duplicate, both texts being equally authentic.

Done at Addis Ababa on this 15 Day of July 2015

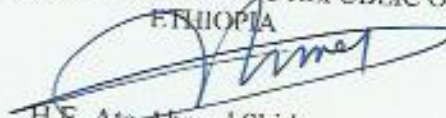
FOR THE MINISTRY OF FOREIGN
AFFAIRS AND INTERNATIONAL
COOPERATION
OF THE REPUBLIC OF ITALY


H.E. Giuseppe Mistretta

Ambassador of Italy to Ethiopia



FOR THE MINISTRY OF FINANCE AND
ECONOMIC DEVELOPMENT OF THE
FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA


H.E. Ato Ahmed Shide

State Minister
Ministry of Finance and Economic Development

