



## IMPLEMENTING AGREEMENT

*BETWEEN*

**THE GOVERNMENT OF THE ITALIAN REPUBLIC**

**AND**

**THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

Regarding the Project: **"River side development project in Addis Ababa-Ethiopia"**, (hereinafter referred to as "the Project")

The Government of the Italian Republic (hereinafter referred to as the "GOI") and the Government of the Federal Democratic Republic of Ethiopia (hereinafter referred to as the "GOE") hereinafter referred to as the "Parties":

WHEREAS in the framework of the Growth and Transformation Plan II (hereinafter referred to as "GTP II") of the Ethiopian Government, currently under implementation with the support of the Donor Community and the Italian Government, increased attention to the environment and pollution is provided and promotion of gender and youth empowerment and equity are considered pillars of the national strategy against poverty;

WHEREAS the Italian and the Ethiopian Governments have signed, on September 15<sup>th</sup> 2017, the Ethio-Italian Cooperation Framework 2017-2019. In this context, the Directorate General For Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (hereinafter referred to as "MAECI/DGCS"), and the Ethiopian Ministry of Finance (hereinafter referred to as "MoF") reached an understanding on the provision of funds in support of the river beautification in Addis Ababa, for the years 2017-2019, in alignment with the National Policies and Strategies;

WHEREAS the Italian Agency for Development Cooperation (AICS) has been instituted by law 125/2014 as an autonomous agency, operational from January 1<sup>st</sup> 2016 and in charge of identification, formulation, implementation, financing and monitoring of development cooperation projects under the political guidance of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI);

WHEREAS in March 2019 the Addis Ababa City Administration – River Basin and Green Area Development and Administration (hereinafter referred to as "RBGADA") submitted to the consideration of the Italian Agency for Development Cooperation, Addis Ababa Office (hereinafter referred to as "AICS Addis Ababa") a formal request for contribution to work on the river side rehabilitation/beautification in Addis Ababa;

WHEREAS the Italian Joint Development Cooperation Committee of the MAECI has approved the financing of the Project **"River side development project in Addis Ababa-Ethiopia"** on May 23<sup>rd</sup>, 2019;

RECALLING the Development Cooperation Framework Agreement between the Government of the Italian Republic and the Government of Federal Democratic Republic of Ethiopia done at Addis Ababa on December 8<sup>th</sup>, 2014;

have decided to enter into this Implementing Agreement (hereinafter referred to as the "Agreement"):

**AMBASCIATA D'ITALIA**  
Cancelleria Consolare  
Addis Abeba

Visto: e' fotocopia conforme  
all'originale

Addis Abeba, 20 MAR 2020  
RAMI EL HARIRI

CANCELLIERE AMMINISTRATIVO





**Acronyms:**

**AATA:** Addis Ababa Town Administration

**AICS:** Italian Agency for Development Cooperation

**GOE:** Government of the Federal Democratic Republic of Ethiopia

**GOI:** Government of the Italian Republic

**GTP:** Growth and Transformation Plan

**ICB:** International Competitive Bidding

**IE:** Italian Expert

**IRR:** Installment Request Report

**MAECI/DGCS:** Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation

**MoF:** Ethiopian Ministry of Finance

**NBE:** National Bank of Ethiopia

**NCB:** National Competitive Bidding

**PD:** Project Document

**PIC:** Person in Charge

**PMU:** Project Management Unit

**PoA:** Plan of Action

**PRM:** Project Review Meeting

**PSC:** Project Steering Committee

**RBGADA:** River Basin and Green Area Development and Administration Authority

**SAR:** Semi Annual Report

**TAMU:** Technical Assistance and Monitoring Unit

**VAT:** Value Added Tax



## ARTICLE 1

### SCOPE AND CONTENTS OF THE AGREEMENT

- 1.1 In compliance with Article 7 of the Development Cooperation Framework Agreement done at Addis Ababa on December 8<sup>th</sup> 2014, the present Agreement aims at:
- a. Establishing the mutual obligations of the Parties concerning the implementation of the Project;
  - b. Defining crediting, disbursement, procurement, monitoring, evaluation, control and reporting procedures.
- 1.2 This Agreement consists of the present Text, the Project Document (PD), which constitutes Annex A, and the Ethical clauses and general principles for procurement and execution of contracts, which constitute Annex B.

## ARTICLE 2

### PROJECT OBJECTIVES

- 2.2 The **Overall Objective** of the Project is to contribute to the improvement of the living and health conditions of Addis Ababa residence by enhancing the protection, restoration, maintenance and valorisation of Addis Ababa river shade and promoting an integrated management of urban natural resources.
- 2.3 The **Specific Objective** is to contribute to the improvement of living and health conditions in the Kebena river area.

## ARTICLE 3

### FINANCIAL CONTRIBUTION OF THE PARTIES

#### 3.1 Contribution of the GOI

The total financial contribution of the GOI consists in a Grant up to a ceiling of **EURO 5,000,000** (five million EURO/00).

#### 3.2 Contribution of the GOE

The GOE, through RBGADA, will cover VAT and other taxes, duties, clearing and storage charges and any other levies to be paid in Ethiopia for the execution of the Project activities. The GOE shall also ensure that RBGADA contribute with human, financial and logistic resources necessary for the execution of the Project activities.

## ARTICLE 4

### INSTITUTIONS AND BODIES INVOLVED IN THE IMPLEMENTATION OF THE AGREEMENT

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

For the GOE:

- The **Ministry of Finance (MoF)**.
- The **Addis Ababa Town Administration (AATA)**, representing the Institution responsible for the supervision of the activities.
- The **River Basin and Green Area Development and administration Agency (RBGADA)**, acting as the

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main body responsible for the management of the Italian Grant and as the main executing recipient agency of the Project and implementing agency for the Project activities.

- The **National Bank of Ethiopia** (hereinafter referred to as "NBE"), acting as administrator of the two special accounts in Euro and in Birr for the Project.

For the GOI:

- The **Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI/DGCS)**.
- The **Italian Agency for Development Cooperation (AICS)**: Italian Public Institution in charge of the identification, formulation, implementation, financing and monitoring of development cooperation projects under the political guidance of the Italian Ministry of Foreign Affairs and International Cooperation.
- **AICS Addis Ababa Office** representing AICS in Ethiopia and responsible for the supervision of the bilateral cooperation activities between Italy and Ethiopia.

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 fulfill, for what concerns each of them, the obligations of the Agreement.

## ARTICLE 5

### GOVERNANCE OF THE PROJECT

- 5.1 A **Project Steering Committee** (hereinafter referred to as "PSC") composed by representatives of AICS (TAMU see article 5.6), AATA, RBGADA and Kebele shall be the highest level of the Project governance acting as the decisional body and guarantor of the overall supervision. A Project Review Meeting (PRM) called by the PSC will take place once a year. The PRM will review the progress in the implementation of the Project and suggest corrective measures if necessary. A project Mid – Term Review Meeting and a Final Review Meeting will take place respectively by the middle and at the end of the implementation period of the Project.
- 5.2 A joint **Project Management Unit** (hereinafter referred to as "PMU") composed by representatives of RBGADA and the TAMU shall be set up at municipality level to ensure on-going coordination and overall supervision of the Project.
- 5.3 The Project shall operate in consultation and full cooperation with the kebele level structures and other government institutions to be involved in the Project.
- 5.4 The execution of the Project shall be under the responsibility of the RBGADA. The RBGADA shall assign the Person in Charge, whose roles and responsibilities are defined in article 5.5 of this Agreement.
- 5.5 The **Person in Charge** (hereinafter referred to as "PIC") will be the RBGADA Head or any other RBGADA staff selected by the Head. He/she will be responsible for the management of the Italian Grant and for the coordination of the Project activities. The PIC will be supported by other RBGADA staff. He/She will sign all reports and will have the responsibility to ensure the full implementation of the Agreement. The PIC, under the overall guidance of the PSC, shall also steer and coordinate the technical assistance provided to the Project.
- 5.6 The **Technical Assistance and Monitoring Unit** (hereinafter referred to as "TAMU") shall be established at AICS Addis Ababa level to support RBGADA operations and the effective implementation of the Project. The TAMU will be staffed with Italian Experts (IEs) designated by AICS. The PIC will be the direct counterpart of the TAMU's IEs. The PIC and the IEs will work in regular consultation for the daily activities of the Project.





## ARTICLE 6

### CREDITING MODALITIES OF THE ITALIAN FUNDS

The GOI commits itself to provide the financial resources indicated in the Article 3.

#### 6.1 Bank Accounts:

- The financial resources provided by the Italian Party through the Grant under the present Agreement will be transferred to the "EURO Special Account" opened by MoF and managed by RBGADA.

#### 6.2 Installments:

After the entry into force of the present Agreement, AICS will transfer the funds in two installments as follows:

	I Installment	II Installment	Total
Grant component	3.909.300	1.090.700	<b>5.000.000</b>

Each installment shall be disbursed according to the following crediting procedures.

#### 6.3 Crediting procedures:

The following pre-conditions will have to be fulfilled prior to the startup of the crediting by AICS of the **first installment**:

- a) RBGADA shall have a designated accountant for the management of the Italian funds;
- b) MoF shall inform AICS Addis Ababa regarding the details of the "EURO Special Account"; RBGADA shall submit a specific request for the crediting of the installment to AICS Addis Ababa.
- c) A Plan of Action (PoA) shall be drawn up and approved by the Project Steering Committee. The document shall include a disbursement plan for the Grant components;

Pre-condition for the disbursement of the **second installment** are:

- a) 50% of the last tranche is spent and justified and 70% is committed;
- b) A revised Plan of Action is drawn up and approved by the Project Steering Committee. The document shall include a disbursement plan for the Grant components;
- c) Submission of the audit reports concerning the use of the first installment prepared in accordance with article 8. Such installment audit reports shall be approved by AICS;
- d) Submission of an Installment Request Report (hereinafter referred to as "IRR" as described in article 7.2.3 of this Agreement.

#### 6.4 Taxes:

The Italian contribution, as detailed in article 3.2 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 Project activities, they will be covered by the GOE.



## ARTICLE 7

### ACTIVITIES AND FINANCIAL REPORTS

#### 7.1 GRANT

- Within 60 days from the receipt of the Grant, RBGADA with the support of the TAMU, shall prepare the annual Plan of Action (PoA) relative to the entire amount of funds or part of it. Each PoA shall be submitted to the PIC and approved by the Project Steering Committee.

#### 7.2 Other activities and financial reports

- 7.2.1 The RBGADA shall provide AICS Addis Ababa and MoF with financial / administrative and technical reporting every six months (Semi Annual Report - SAR) no later than 30 calendar days after the last day of every sixth months. Each report will analyse the utilization of the funds of the Project including the procurement process concerning NCB tenders mentioned in art. 9.3. The TAMU will support the RBGADA in drafting such reports.

- 7.2.2 The SAR, shall include two sections:

- a. A technical section with a detailed description of the progress of the Project activities, achievements against the work plan and indicators, challenges encountered, corrective measures adopted and lessons learnt. This section shall also include a schedule of the activities planned for the next six months and a brief description on the technical assistance provided by the TAMU.
- b. A financial section with a detailed description of the utilization of funds. This section shall include: i) actual expenditures, supported by relevant bank statements, and commitment versus planned budget disaggregated by activity, ii) remaining balance, iii) updated disbursement plan for the following six months, iv) information on procurement, v) notes, explanations and supporting documents

The first of such reports shall cover the first six months of activity starting from the date on which the Italian funds have been credited. The last SAR produced shall also have the function of Final Project Report. The SAR can coincide with the Interim Request Report that has to be attached to the instalment request (except the first) and must be supported by an Audit report.

- 7.2.3 The IRR shall be used to request the planned installments and follows the same structure as the SARs. In case the time of the submission of the IRR does not correspond to the time of the submission of the SAR, the IRR shall consolidate the previous SAR and include information on the activities and finance of the next reporting period. The IRRs must be supported by an independent audit that certifies the regularity of the expenses and procurement procedures and shows that at least 50% of the last tranche has been spent and 70% committed.
- 7.2.4 Day to day monitoring activities of the Project shall be the responsibility of the RBGADA in collaboration with all involved actors and shall be performed in accordance to the PD.
- 7.2.5 The PIC is responsible for maintaining an updated accounting system that contains records to ensure the accuracy and reliability of the Project 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 at RBGADA offices. The accounting and/or record keeping system must track the advances received and the expenditure records. Financial reports, statements of the executed expenses and contracts shall be presented to the PSC 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. AICS Addis Ababa will approve the TORs, the selection process and the contract. The auditor will audit per tranche. The audit will certify the regularity of the expenses and of the procurement disbursements and procedures.

The external audit will focus on both:

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

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

The PoA, 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

The 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/AICS whenever deemed appropriate.

## ARTICLE 9

### USE OF THE ITALIAN FUNDS

In the event of unsatisfactory progress of the Project activities as resulting from review missions performed by AICS, and of a consequent decision to withdraw funds from the Project, the Italian funds already disbursed and not spent will be returned to the GOI.

#### 9.1 Reallocation of funds

Budget revisions with respect to the Project Budget in Euro, detailed in the PD, are allowed during the preparation of the PoAs. Requests for reallocations shall be submitted by the PIC to AICS Addis Ababa. These revisions 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 PSC.

#### 9.3 Procurement activities

Procurement activities will be performed by the RBGADA, according to the budget allocations and following the World Bank procurement guidelines. They must also comply with the Ethical clauses and general principles for procurement and execution of contracts as per Annex B.

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 €

AICS holds the right to review RBGADA's procurement decisions in order to ensure that activities have been conducted transparently and efficiently.

For all NCB processes, regarding the entire amount of the Project, AICS, will perform an ex-post review of all procurement procedures on the basis of the latest semi-annual financial and technical reporting (see Article 7.2.2) and the annual audit report (see Article 8.1) presented by the RBGADA precedent to every disbursement subsequent to the first one.

For ICB process, controls will be made in advance (ex ante) by AICS. Such ex ante control shall include the following steps: bidding document preparation, selection process, financial opening and awarding of the related contract.

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

## ARTICLE 10

### OBLIGATIONS OF THE ETHIOPIAN PARTY

- 10.1 The GOE, via the MoF, shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.
- 10.2 The MoF shall communicate to AICS Addis Ababa, upon the entry into force of the present Agreement, bank accounts details according to what described in article 6 of this Agreement.
- 10.3 The GOE, via the MoF shall make sure that all the Ethiopian bodies and institutions involved in the Project implementation will observe the provisions of this Agreement, in particular that financial and technical reports, necessary for funds disbursements, shall be timely submitted to AICS according to articles 6 and 7 of this Agreement.
- 10.4 In case there is a need for hard currency as per contracts for importation of goods for the projects, the MoF, shall facilitate the provision of hard currency for the contractors.

## ARTICLE 11

### OBLIGATIONS OF THE ITALIAN PARTY

- 11.1 AICS shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.
- 11.2 AICS shall be responsible for all the required activities for the supervision, monitoring and evaluation of the Project. It shall dedicate particular attention to the efficiency of funds utilization and to the effectiveness of the Project implementation.



## ARTICLE 12

### SETTLEMENT OF DISPUTES

Any dispute arising out of the implementation of this Agreement shall be settled amicably by means of direct 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, labor 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:

- a. In case that the duration of the impediment to the implementation of the Project is less than six months, the use of the funds shall be suspended until the Italian Party authorizes resumption of activities.
- b. In case the duration of the impediment to the implementation of the Project is greater than six months, the Project shall be suspended and the residual funds shall be maintained until the impediment finishes and the Italian Party authorizes resumption of the Project activities.

## ARTICLE 14

### PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

The GOE, via the MoF, shall ensure that the funds provided by the GOI under this Agreement will be used strictly in accordance with its provisions. The GOE commits itself 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

15.1 The GOI reserves the right to resolve this Agreement in the following cases:

- a. Unmotivated and prolonged delays in the use of the Italian funds such to threaten the achievement of the Project objectives.
- b. The use of the Italian funds for reasons different than those included in this Agreement and its Annexes.
- c. Severe mismanagement of the Italian funds.
- d. In the event of failure to implement, or to report on, the Project in a manner consistent with the terms of this Agreement.
- e. In case of impediment or force majeure as per article 13 of this Agreement.

15.2 In the above cases, the GOI, via MAECI/DCGS, shall notify the event in writing to the GOE via MoF, 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, the GOI reserves the right to terminate immediately this Agreement. In this case, the provisions contained in article 12 of this Agreement shall apply.



- 15.3 In the cases mentioned above, the GOI may decide unilaterally the termination of this Agreement notifying, through Verbal Note, the GOE via the MoF with a three-month prior notice. In all cases, after such notification, MoF shall stop all activities of the Project, unless otherwise agreed between the Parties.

## ARTICLE 16

### AMENDMENTS

- The Parties may amend this Agreement, at any time, by means of Exchanges of Verbal Notes which shall enter into force on the date of the Verbal Note of response.

## ARTICLE 17

### ENTRY INTO FORCE, DURATION AND TERMINATION


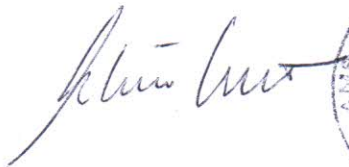
- 17.1 This Agreement shall enter into force on the date of signature and shall remain in force until the completion of the Project.
- 17.2 The Final Project Report (in line with article 7) shall be submitted to both Parties no later than 45 calendar days after the end of the Project activities.
- 17.3 Either Party may terminate this Agreement by notifying the other of its intention with a three-month prior notice, through the diplomatic channels. Funds not credited at the date of termination of the present Agreement shall be returned to the GOI.
- 17.4 If, for any reason, the execution of this Agreement cannot be completed in conformity with its provisions, the Parties shall consult each other on the matter. The funds not yet credited and/or committed shall be utilized only upon a specific written agreement between the Parties, otherwise they shall be returned to the GOI.

In witness whereof, the undersigned, duly authorized by their respective Governments, have signed the present Agreement.

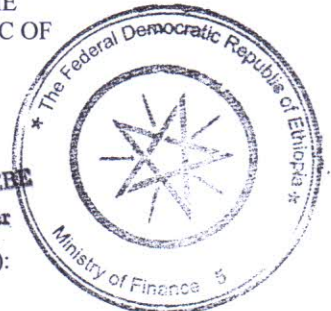
Done at Addis Ababa on this 5<sup>th</sup> Day of March 2020 in two originals in the English language.

FOR THE GOVERNMENT OF THE ITALIAN  
REPUBLIC

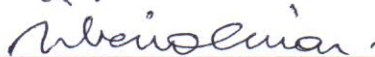
FOR THE GOVERNMENT OF THE  
FEDERAL DEMOCRATIC REPUBLIC OF  
ETHIOPIA



ADMASU NEBERE  
State Minister



Acknowledged by the ITALIAN AGENCY FOR DEVELOPMENT COOPERATION (AICS):



Attachments

Annex A: Project Document

Annex B: Ethical clauses and general principles for procurement and execution of contracts