OS V ITAL AS

IMPLEMENTING AGREEMENT

BETWEEN

THE

THE GOVERNMENT OF THE ITALIAN REPUBLIC

AND

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Regarding the Programme: "Improvement on skill development and job creation under TVET program in Ethiopia", (hereinafter referred to as "the Programme")

The Government of the Italian Republic (hereinafter referred to as "GOI") and the Government of the Federal Democratic Republic of Ethiopia (hereinafter referred to as "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, the Technical and Vocational Education and Training (hereinafter referred to as TVET) system is considered a pillar of the national strategy against poverty;

WHEREAS the Italian and the Ethiopian Governments have signed, on September 15th2017, 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 Education sector, for 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 1 January 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 November 2018 the Federal TVET Agency (hereinafter referred to as "FTVETA") submitted for the consideration to the Italian Agency for Development Cooperation, Addis Ababa Office (hereinafter referred to as "AICS Addis Ababa") a formal request for contribution to enhance the TVET strategy with particular focus on the linkages between TVET Colleges and Agro – Industrial Parks;

WHEREAS the Italian Joint Development Cooperation Committee of the MAECI has approved the financing of the Programme "Improvement on skill development and job creation under TVET program in Ethiopia" on December 20th, 2018;

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 8th, 2014;

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

AMBASCIATA DTTALIA

Cancelleria Consolare Addis Abeba

Visto: e' fotocopia conforme all'originale

Addis Abeba, 2020 MAR 2020

CANCELLIERE AND INISTRATIVO



AICS: Italian Agency for Development Cooperation

AOP: Annual Operational Plan CDP: Cassa Depositi e Prestiti FTVETA: Federal TVET Agency

GBA: Grant Bank Account

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

LBA: Loan Bank Account

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

International Cooperation

MoF: Ethiopian Ministry of Finance

MoTI: Ethiopian Ministry of Trade and Industry

MoSHE: Ethiopian Ministries of Science and Higher Education

NBE: National Bank of Ethiopia NCB: National Competitive Bidding

PID: Project Implementation Document

PIC: Person in Charge

PRM: Project Review Meeting

RTVETA: Regional TVET Agency

SAR: Semi Annual Report **SC**: Steering Committee

TVET: Technical and Vocational Education and Training

TVETC: Technical and Vocational Education and Training College

TAMU: Technical Assistance and Monitoring Unit

A de

Sed

SCOPE AND CONTENTS OF THE AGREEMENT

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

ARTICLE 2

PROGRAMME OBJECTIVES

- 1. The **Overall Objective** of the Programme is the improvement of employment and employability of youth and women in the agro-industry.
- 2. The **Specific Objective** of the Programme is to enhance the TVET system through quality training and stronger linkages between the Private Sector working in the Agro Industry and the TVETCs.

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

3.1 Contribution of the GOI

The total financial contribution of the GOI consists in a Loan and a Grant up to a ceiling of **EURO 10,500,000** (ten million five hundred thousand EURO/00), divided as follows:

LOAN EURO 8,000,000 (hereinafter referred to as "Loan") for the purchase of machineries, laboratory equipment and rehabilitation of sanitation facilities within selected colleges. This amount shall be transferred to FTVETA, which is the recipient executing agency, on the Loan Bank Account (hereinafter referred to as the "LBA").

The financial conditions are the following:

- Annual interest rate: 0,5%;
- Repayment: 30 years of which 12 of grace period, in equal, consecutive, and deferred instalments".

GRANT EURO 2,500,000(hereinafter referred to as "Grant") for the Technical Assistance (TA) at FTVETA and Regional TVET Agencies(RTVETA)/TVET Colleges (TVETC) in order to prepare and revise the occupational standards and curricula on the area of agro –processing, enhance the capacity of academic staffs in the targeted TVET institutions in order to have an appropriate standard of teaching quality (technical and soft skills), enhance the cooperative training and organize study tours and experience sharing visits at all levels. This amount shall be transferred to the FTVETA, which is the recipient executing agency on the Grant Bank Account (hereinafter referred to as the "GBA").

3.2 Contribution of the GOE

The GOE via FTVETA 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 Programme activities. The GOE shall also ensure that FTVETA

h 3 K

and RTVETA contribute with human, financial and logistic resources necessary for the execution of the Programme activities.

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:

For the GOE:

The Ministry of Finance (MoF), signatory of the Financing agreement with Cassa Depositi e Prestiti S.p.A.

- The Ministry of Science and Higher Education (MoSHE), 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 Ministry of Trade and Industry (MoTI) will collaborate with FTVETA in the revision of curricula
 and occupational standards and will facilitate the creation of linkages between TVETCs and Agro-Industrial
 Parks.
- The Federal TVET Agency (FTVETA), acting as the main executing recipient agency of the Programme and implementing agency for soft activities. It is the body in charge to manage the soft loan for the procurement of machineries, laboratory equipment and rehabilitation of sanitation infrastructure in the selected TVETC.
- The **National Bank of Ethiopia** (hereinafter referred to as "**NBE**"), acting as administrator of the LBA and GBA accounts in Euro and Birr into which the Italian funds are transferred.
- The Regional TVET Agencies, acting as co-implementing agency of the Programme at regional level.
- The selected Technical and Vocational Education and Training Colleges (TVETC) located in Amhara, Oromia, SNNP and Tigray Regional States respectively, which act as delegated Executing Agencies at College level.

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 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.
- Cassa Depositi e Prestiti S.pA. (hereinafter referred to as "CDP"), the Italian Financial Institution which
 will act as lender for the Loan on behalf of the GOI providing all the transfers requested by the MoF and
 receiving the repayments under the Financing 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 each of them, the obligations of the Agreement.

A de

GOVERNANCE OF THE PROGRAMME

- 1. A Steering Committee (hereafter referred to as "SC") composed by representatives of the Ethiopian Ministry of Science and Higher Education (1), FTVET (1), the Ethiopian Ministry of Trade and Industry (1), the Ethiopian Ministry of Finance (1), AICS (1), shall be constituted as high level decisional body for the Programme and overall supervisor. A Project Review Meeting (PRM) called by the SC will take place at least once a year. The PRM will review the progress in implementation of the Programme and suggest corrective measures if deemed 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 Programme. The SC will approve the Annual Operational Plan.
- 2. A **Technical Committees** (One for Region) will be established. They will be composed by representatives from RTVETA (1), the Ethiopian Bureau of Education (1), the Ethiopian Bureau of Industry (1), the Ethiopian Bureau of Agriculture (1), the Agro-Industrial Parks Corporations (1), TVETCs (2), AICS (1). A representative from the Chamber of Commerce will be invited as observer. They will manage and monitor technically the implementation of specific activities at local level.
- 3. The Programme shall comply with the TVET strategy. FTVETA shall operate in consultation and full cooperation with the Regional TVET Agencies of the selected localities.
- 4. The execution of the Programme shall be under the responsibility of FTVETA. The FTVETA shall assign the Person in Charge, whose roles and responsibilities are defined in article 5.4 of this Agreement.
- 5. The Person in Charge (hereafter referred to as "PIC") will be the FTVETA General Manager or any other FTVETA staff selected by the General Manager. He/she will be responsible for the management of the Italian Loan and Grant and the Ethiopian funds provided under the present Agreement. The PIC will be supported by staff of the FTVETA. 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 SC, shall also steer and coordinate the technical assistance provided to the Programme.
- 6. 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 shall be established at AICS Addis Ababa level to support FTVETA operations. 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 Programme.

ARTICLE 6

CREDITING MODALITIES OF ITALIAN FUNDS

The GOI under this Agreement commits itself to provide financial resources as indicated in the Article 3.

6.1 Bank Accounts:

- The financial resources provided by the Italian Party through the Loan under the present Agreement will be transferred to the "EURO LBA Account".
- The financial resources provided by the Italian Party through the Grant under the present Agreement will be transferred to the "EURO GBA Account".

Ju 34

6.2 Instalments:

LOAN

After the entry into force of the present Agreement and the signature of a Financing Agreement between the MoF and CDP, CDP will transfer the funds, in three instalments as follows:

	I Instalment	II Instalment	III Instalment	Total
Loan component	4.000.000	2.000.000	2.000.000	8.000.000

Each, according to the below crediting procedures.

GRANT

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

	I Instalment	II Instalment	III Instalment	Total
Grant component	1,308,080	810,960	380,960	2.500.000

Each according to the following crediting procedures.

6.3Crediting procedures:

LOAN

The following pre-conditions will have to be fulfilled prior to the start-up of the crediting procedure by CDP of the **first instalment**:

- a) Formal approval by the Steering Committee of the Annual Operational Plan. The document shall include a disbursement plan for both the Loan and the Grant components;
- b) Written evidence from FTVETA that key supporting staff at RTVETA level is under recruitment (elaboration of the job description and publication of the vacancy announcements);

Pre-condition for the disbursement of the next instalments are:

- a) 40% of the last tranche is spent and justified, 70% committed and 100% of the previous tranche is spent and justified;
- b) An Annual Operational Plan is drawn up and approved by the Steering Committee. The document shall include a disbursement plan for both the Loan and the Grant components;
- c) Submission of the audit reports concerning the use of the instalments drawn up in accordance with article 8.Such instalment audit report shall be approved by CDP and by AICS.

GRANT

The following pre-conditions will have to be fulfilled prior to the start up of the crediting procedure by AICS of the first instalment:

- a) FTVETA shall have assigned the PIC;
- b) The MoF shall have informed AICS Addis Ababa regarding the details of the "EURO LBA Account" and "EURO GBA Account"; FTVETA shall submit a specific request for the crediting of the instalment to AICS Addis Ababa.

Pre-condition for the disbursement of the next instalments are:

a) 40% of the last tranche is spent and justified, 70% committed and 100% of the previous tranche is spent and justified;

- b) 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;
- c) Submission of the audit reports concerning the use of the instalments prepared in accordance with article 8. Such instalment audit report shall be approved by AICS.

6.4Taxes:

The Italian contribution, as detailed in article 3 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 Programme activities, they will be covered by the GOE (see article 3.2 of this Agreement).

ARTICLE 7

ACTIVITIES AND FINANCIAL REPORTS

7.1 LOAN

The FTVETA will provide an Annual Operational Plan as a precondition for the disbursement of the first instalment of the Loan as well as an Annual Operational Plan for each new disbursement taking into account the audit report.

7.2 GRANT

Within 60 days from the receipt of the Grant, FTVET with the support of the TAMU, shall prepare the Annual Operational Plan(AOP) relative to the entire amount of funds or part of it. Each AOP shall be submitted to the PIC and approved by the Steering Committee.

7.3 Other activities and financial reports

- The FTVETA will provide AICS Addis Ababa and MoF with financial / administrative and technical reporting every six months (Semi Annual Report - SAR). Each report will analyse the utilization of the entire LBA and GBA funds (Loan and Grant) of the Programme including the procurement process concerning NCB tenders mentioned in art. 9.3. The TAMU will support the FTVETA in drafting such reports.
- 2. The SAR, shall include two sections reporting the description of the activities carried out (first section) and the relevant financial, administrative, procurement information(second section). The first of such reports shall cover the first six months of activity starting from the date on which the funds have been credited. The last SAR produced shall also have the function of Final Programme Report. The SAR can coincide with the Interim Request Report that has to be attached to the tranche request (except the first) and must be supported by an Audit report.
- 3. Day to day monitoring activities of the Programme shall be responsibility of the FTVETA in collaboration with RTVETAs and the TVETCs and shall be performed in accordance to the PID.
- 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 FTVETA 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 SC whenever required.
- 5. At the request of the second and third instalment, FTVETA shall provide an Instalment Request Report having the same structure and transmission procedure as for the points 1 and 2 above.

Ja ok

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.

Audit reports shall be made available no later than six (6) months after the last day of each fiscal year. The Auditor shall also produce three reports related to the use of all the instalments (loan and grant).

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

The final audit should justify the use of 100% of the instalments (loan and grant).

LOAN

The external audit will focus on both:

Administrative and financial aspects: compliance with FTVETA procedures (including procurement process, bidding document preparation, selection and awarding process). The procurement process shall concern only NCB tenders in article 9.3.

Technical aspects: compliance with the technical clauses of the contracts, infrastructure quality check, compliance and follow up of the projects impact indicators.

GRANT

The AOP, excluding the first, must be supported by an external audit that certifies the regularity of the expenses and of the 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 Programme activities as resulting from review missions performed by AICS, and of a consequent decision to withdraw funds from the Programme, the Italian funds already disbursed and not spent will be returned to the GOI.

9.1 Reallocation of funds (LOAN and GRANT)

Budget lines reallocations in respect to the Programme Budget in Euro, detailed in the PID, are allowed during the preparation of the AOPs. Requests for reallocations will be submitted by the PIC to AICS Addis Ababa for approval and do not require this Agreement to be amended.

8

9.2Interests 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 federal level by the FTVETA, according to the budget allocations and following the existing World Bank's guidelines and procedures. They must also comply with the Ethical clauses and general principles for procurement and execution of contracts document (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 €

LOAN and GRANT

AICS hold the right to review FTVETA'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 Programme, AICS Addis Ababa, will perform an expost 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 FTVETA precedent to every disbursement subsequent to the first one.

For ICB process, controls will be made in advance (ex ante) by AICS Roma. 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

- The GOE, via the MoF, shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.
- 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.
- 3. The GOE, via the MoF, 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 AICS according to articles 6 and 7 of this Agreement.
- 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.

OBLIGATIONS OF THE ITALIAN PARTY

- 1. AICS/CDP shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.
- 2. AICS shall be responsible for 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 the Programme 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, 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 the Italian Party 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 the Italian Party authorizes resumption of the Programme activities.

ARTICLE 14

PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

The GOE, via the MoF, the MoSHE, FTVETA and RTVETAs, shall ensure that the funds provided by the GOI under this Agreement shall 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.

AKTICLE 13

RESOLUTION OF THE AGREEMENT

- 1. The GOI reserves the right to resolve this Agreement in the following cases:
 - Unmotivated and prolonged delays in the use of the Italian funds such to threat the achievement of Programme objectives.
 - The use of the Italian funds for reasons different than those included in this Agreement and its Annexes.
- Severe mismanagement of the Italian funds.
 - In the event of failure to implement, or to report on, the Programme 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 the above cases the GOI, via MAECI/DGCS, 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 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, the GOI may decide unilaterally the termination of this Agreement notifying, through Verbal Note, the GOE via MoF with at least three months in advance. In all cases, after such notification, the MoF shall stop all the activities of the Program, 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

- 1. This Agreement shall enter into force on the date of signature; it shall remain in force until the complete reimbursement of the Loan or the completion of the Programme, whichever of these events comes later.
- 2. At the end of the Programme activities, the Final Programme Report (in line with article 7) shall include an additional section dedicated to the status of the employment of the TVETC students in the Agro Industry sector.
- Either Party may terminate this Agreement by notifying the other of its intention with 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.
- 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, being duly authorized by their respective Governments, have signed the present Agreement.

11

Done at Adds Abba on this 5th Day of March 2020 in two originals in the English language.

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC

FOR THE GOVERNMENT OF THE EDERAL DEMOCRATIC REPUBLIC OF

ETHIOPLA

ADM AS Minister

All distances

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