TECHNICAL AGREEMENT

BETWEEN

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

THE MINISTRY OF FINANCE AND ECONOMIC COOPERATION OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

For the implementation of the Programme:

"ITALIAN CONTRIBUTION TO THE WOMEN ENTREPRENEURSHIP DEVELOPMENT PROGRAMME"

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

WHEREAS Italy is firmly committed to support the Ethiopian Government in achieving the Millennium Development Goals and the objectives set out in the Growth and Transformation Plan 2011-2015 (hereinafter referred to as GTP);

WHEREAS the Italian strategic cooperation objectives for Ethiopia are based on and are part of the wider country strategy pursued by the EU Member States and Norway, the EU+ Joint Cooperation Strategy, and shared by the Ethiopian Government, in order to improve alignment and harmonization, promote results-based approaches, predictability and transparency;

WHEREAS the Ethiopian and the Italian Government have signed, on December 8th 2014 the Development Cooperation Framework Agreement, which entered in force on April 23rd 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 under the Ethio-Italian Cooperation Framework 2013-2015 (hereinafter referred to as CF) signed by the Ministry of Finance and Economic Development for the Ethiopian side and by the Italian Ministry of Foreign Affairs and the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (hereinafter referred to as "MAECI/DGCS") for the Italian side, it was agreed that: "A specific stress will be put on the cross-cutting issues of private sector development, gender and environment, which encompass the whole CF".

WHEREAS MoFEC and the World Bank have initiated in 2012 the "Woman Entrepreneurship Development Programme" (hereinafter referred to as WEDP) with the participation of the Canadian Government trough its Department of Foreign Affairs, Trade and Development and of the British Government through its Department for International Development;

WHEREAS the WEDP has objectives of private sector development through the increase of access to finance and puts a specific stress on gender as indicated in the Country Program;

WHEREAS the MoFEC has formally requested to the Italian Development Cooperation/Local Technical Unit (hereinafter referred to as IDC/LTU) that the Italian soft loan be dedicated to facilitating the access to credit by micro and small enterprises owned by women through the existing credit facility that is included in the WEDP;

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 and reporting procedures.

2. This Agreement consists of the present text, the WEDP Project Appraisal Document (PAD) dated 24 May 2012 prepared by the World Bank hereto attached in Annex A and the WEDP Credit Facility Operational Manual dated 03 February 2015 hereto attached in Annex B.

ARTICLE 2

PROGRAMME OBJECTIVES

The **Purpose** of the Programme is to provide funds in order to improve the access to credit by micro and small women-led enterprises in Ethiopia. To this aim, the Italian contribution in soft loan to the WEDP credit facility will be of Euro 15,000,000.00.

The **General Objectives** of the Programme are: (i) to supplement the other interventions in Ethiopia to accelerate broad-based sustained growth for employment creation and poverty reduction, (ii) to supplement the other interventions in Ethiopia to accelerate the growth and the development of the private sector, (ii) to help achieve Ethiopia's poverty reduction strategy and the Millennium Development Goals. The **Specific Objective** of the Programme is: to improve the access to credit for private micro and small women-led enterprises (hereinafter referred to as MSEs) in Ethiopia.

The Programme contributes primarily to the MDG Target 8.A (Develop further an open, rule-based, predictable, non-discriminatory trading and financial system) and 3 (Promote gender equality and empower women).

ARTICLE 3

FINANCIAL CONTRIBUTIONS BY THE PARTIES

In order to carry out the activities jointly agreed between the Parties in the Annexes A, and B, the financing resources assigned to the Programme will be as follows:

By MAECI:

The total financial contribution of MAECI for the Programme consists of a soft loan (hereinafter referred to as the "Soft Loan") of Euro 15,000,000.00 under the Channel 2 option directed to MoFEC.

The financial conditions of the soft loan are the following:

- Annual interest rate: 0,00%
- Repayment: 40 years, out of which 27 years of grace period, in equal, consecutive and deferred installments.

In addition, MAECI will provide Technical Assistance and Capacity Building related to the implementation of the WEDP.

By MoFEC:

The MoFEC shall ensure appropriate management of funds according to the arrangements indicated in the present Agreement and in the documents in Annexes A and B.

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 MoFEC, representing the Federal Democratic Republic of Ethiopia as counterpart of the MAECI for this Agreement, will be the borrower for the Programme and the supervising entity of all national implementing institutions of WEDP. MoFEC has already signed a subsidiary financing agreement with DBE for DBE to act as lead implementing agency for the WEDP credit facility financed by the World Bank. MoFEC will sign an additional subsidiary loan agreement with DBE, as indicated in the following Article 6.2.b in order for DBE to act as lead implementing agency also for the Italian contribution to the WEDP.

   The Ministry of Urban Development and Construction (herein after referred to as MoUDC) is mandated by MoFEC to be the responsible Ministry to host the WEDP. The MoUDC will have the coordinating role with other Ministries and Public bodies involved.

   The National Bank of Ethiopia (hereinafter referred as NBE), where the Euro Dedicated Account and the Birr Dedicated Account related to the Programme will be opened, as indicated in Article 6. The NBE is the supervising body for all the financial institutions involved, including the DBE.

   The DBE, according to what stipulated in the present Agreement and in its Annexes, will act as wholesaler banking institution, on-lending the proceeds of the Italian Soft Loan to selected Micro Finance Institutions. DBE will provide financial and activities implementation reports as indicated in this Agreement and in its Annexes.

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 this Agreement and acting as Financing Agency of the Programme. The MAECI/DGCS is represented in Ethiopia by the Italian Development Cooperation / Local Technical Unit (IDC/LTU), which is locally responsible for the bilateral cooperation activities between Italy and Ethiopia.

Artigiancassa S.p.A (hereinafter referred to as "Artigiancassa"), the Italian Financial Institution appointed by MAECI/DGCS to sign the Financial Agreement with MoFEC. Artigiancassa will act as lender on behalf of MAECI/DGCS providing all the transfers requested by MoFEC and receiving the repayments in compliance with the following Article 6 and with the Financial Agreement.

As part of the existing WEDP governance and supervision framework, the World Bank shall supervise the activities implemented under the WEDP Credit Line through the Italian contribution. Such role, to be carried out in accordance with the procedures detailed in the Annexes A and B, shall be regulated by a separate agreement ("Externally Financed Output") between MAECI/DGCS and the World Bank.

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.

ARTICLE 5

GOVERNANCE OF THE PROGRAMME

The governance of the Programme shall follow the current framework of the WEDP using the existing WEDP structures. The activities financed by Italy in the WEDP will be carried out in accordance with relevant World Bank policies and procedures, enabling the Programme to be supervised by the World Bank. The relevant Project management structure is described in detail, including tasks and responsibilities, in the Annexes A and B. IDC, as donor partner of WEDP, shall be a member of the relevant governance bodies of the Programme and shall be actively engaged in the monitoring and evaluation system.

ARTICLE 6

CREDITING MODALITIES

The MAECI/DGCS under this Agreement commits to provide financial resources following the modalities indicated under Articles 2 and 3. It should be noted that the entire amount dedicated to WEDP will be provided in two instalments of Euro 10,000,000.00 and 5,000,000.00 respectively.

Bank Accounts. The financial resources provided by the MAECI/DGCS under the present Agreement will be transferred to the EURO Designated Account opened at the NBE for the purpose of the Programme and operated by DBE upon delegation by MoFEC. The EURO Designated Account will be associated to a mirror Birr Designated Account, operated by DBE upon delegation by MoFEC.

The funds flow will then follow what described in detail in Annexes A and B.

Any cost for opening and maintaining the two above-mentioned accounts at the NBE shall be borne by MoFEC and/or DBE out of the proceeds of the Italian Soft Loan.

1. **Instalments**. Artigiancassa shall transfer the funds in two instalments of Euro 10,000,000.00 and Euro 5,000,000.00 respectively, upon fulfilment of the following crediting procedures.

2. **Crediting procedures**. Upon entering into force of this Agreement and of the Financial Agreement with Artigiancassa, the following condition precedent to the first disbursement of Euro 10,000,000.00 shall be fulfilled:

    a) MoFEC shall communicate to the IDC/LTU the details of: (i) the "EURO Designated Account" for the Programme and, (ii) the "Birr Designated Account" for the Programme.

    b) a "Subsidiary Loan Agreement for the Italian contribution to the WEDP" between MoFEC and DBE, under terms and conditions acceptable for the IDC/LTU, shall be signed, duly authorized or ratified and shall be legally binding upon MoFEC and DBE in accordance with its terms.

    c) legal agreements for the restructuring of WEDP shall be signed respectively (i) between MACI/DGCS and the World Bank ("Externally Financed Output"), and (ii) between MoFEC and the World Bank, in order to allow the inclusion of the Italian contribution within the WEDP framework and under the supervision of the World Bank.

    d) MoFEC/DBE shall submit a specific funding request to Artigiancassa through the IDC/LTU to start the crediting procedures.

3. Pre-conditions for the disbursement of the **second instalment** of Euro 5,000,000.00:

    a) 60% of the previous instalment is disbursed from the Birr Designated Account to the Microfinance Institutions;

    b) MoFEC/DBE shall submit the latest relevant Audited Financial Statement of the DBE and/or of the WEDP and a funding request to Artigiancassa through the IDC/LTU.

ARTICLE 7

ACTIVITIES AND FINANCIAL REPORTS

1. MoFEC shall monitor and evaluate the progress of the Programme and maintain, or cause to be maintained, financial management systems for the Italian contribution in accordance with the modalities already in use for the WEDP, outlined in Annex

B. MoFEC will prepare Reports (or cause Reports be prepared) with the following modalities:

a) MoFEC shall cause the preparation and provide to the IDC/LTU not later than forty five days after the end of each calendar quarter, unaudited quarterly financial reports for the credit facility of the WEDP, in the same form and content already in use for the WEDP, as outlined in Annex B;

b) MoFEC shall cause the Financial Statements for the credit facility of the WEDP to be audited in accordance to the procedures and criteria already in use in the WEDP; each Audit of the Financial Statements shall cover the period of one Ethiopian fiscal year, commencing with the fiscal year in which the first withdrawal of the Loan is made. The audited Financial Statements and the Audit Reports shall be provided to the IDC/LTU not later than six months after the end of the respective reporting period.

2. In line with the reporting rules and procedures established under the WEDP framework, MAECI/DGCS shall utilize the existing technical reporting prepared by the WEDP implementing institution, including the World Bank.

3. In order to enable the MAECI/DGCS to effectively monitor and supervise the Italian contribution, MoFEC shall grant access to all relevant reports and information collected or held by any WEDP implementing institution.

ARTICLE 8

EXTERNAL AUDITING AND EVALUATION ACTIVITIES

1. The auditing of annual financial statements and the preparation of annual Audit Reports shall be generally carried out according to the International Standards of Auditing issued by the International Federation of Accountants, according to what already in use for the WEDP;

2. The submission of audited financial statements and annual Audit Reports shall follow the procedures jointly agreed upon by the Development Partners within WEDP;

3. The audit shall be carried out by the Office of the Federal Auditor General (hereinafter referred to as OFAG) or a qualified auditor nominated by OFAG and acceptable to the donors;

ARTICLE 9

Reallocation of funds

The Programme is not subject to reallocation of funds. In the event of the unsatisfactory progress of Programme activities as resulting from a joint review, and of a consequent decision of international donors participating to withdraw funds, the Italian funds already disbursed to the MoFEC and not spent will be made available to the MAECI/DGCS.

Procurement procedures

The Credit Facility component of WEDP does not require any direct procurement by the implementers (DBE, Participating Financial Institutions and Project structures) to be undertaken out of the proceeds of the Loan. The Soft Loan proceeds will be channelled by DBE to selected and eligible Micro Finance Institutions to be on-lent to women entrepreneurs who are the beneficiaries of the WEDP. Procurement of goods, works and non-consulting services is undertaken by the women entrepreneurs, in accordance with well-established private sector procurement methods or acceptable commercial practices.

Interests and savings

Any interest generated from the proceeds of the Loan in the Designated Accounts indicated in Article 6 and/or savings shall be used for the same purposes and with the same procedures outlined in this Agreement.

ARTICLE 10

OBLIGATIONS FOR THE ETHIOPIAN PARTY

1. MoFEC shall provide the IDC/LTU, following the modalities indicated in Article 7 of this Agreement, with the Reports specified in the same Article 7.
2. MoFEC shall communicate to the IDC/LTU, upon the entry into force of the financing agreement, the bank accounts details according to what described in Article 6 of this Agreement.
3. MoFEC shall ensure that the sub-loans extended out of the Soft Loan shall be provided only to eligible women-led private MSEs.
4. MoFEC shall ensure that all the Ethiopian bodies and institutions involved in the Programme implementation will observe the provisions of this Agreement.
5. MoFEC shall facilitate, during all the period in which this Agreement will remain into force, any additional monitoring and/or evaluation mission relevant to WEDP that the Italian Party wish to undertake, allowing access to all relevant information and report held or prepared by any WEDP implementing institution.

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 of funds utilization and to the effectiveness of programme implementation, according to Annexes A and B to this Agreement.

3. MAECI/DGCS shall report to MoFEC about the funds disbursed for the Programme, including funds not included in the present Agreement for technical assistance, supervision, monitoring and evaluation, within the usual quarterly reporting of IDC initiatives in Ethiopia.

ARTICLE 12

SETTLEMENT OF DISPUTES

Any dispute between the Parties arising from 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 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 recognised 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 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 authorises resumption of activities.

b) In case the duration of the impediment to the implementation of the Programme is longer than six months, the Programme shall be suspended and the residual funds shall be maintained until the impediment finishes and MAECI/DGCS authorises resumption of the Programme activities.

ARTICLE 14

PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

MoFEC shall ensure that the funds provided by MECI/DGCS under this Agreement will be used strictly in accordance with the provisions of this Agreement. MoFEC 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

1. MAECI/DGCS reserves the right to resolve this Agreement, due to severe fault by MoFEC or any implementing institution involved, in the following cases:

    a) Unmotivated and prolonged delays in the use of the funds such to threat the achievement of Programme objectives.

    b) The use of the funds for reasons different than those included in this Agreement and its annexes or its amendments.

    c) Severe mismanagement of the funds.

    d) In the event of failure to implement, or to report on, the program 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.

2. In case of the above-mentioned severe fault, MAECI/DGCS shall notify the event in writing to MoFEC, inviting 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 MoFEC, through Verbal Note, with at least three months notice. In all cases, after such notification, MoFEC shall stop all activities of the Programme, unless otherwise agreed between the two Parties.

ARTICLE 16

AMENDMENT TO THE AGREEMENT

1. This document and its Annexes constitute 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, including its Annexes, at any time by means of exchange of letters between the Parties. The amendment shall come into force on the date of the second letter through which the Parties inform each other of the completion of the relevant internal procedures.

ARTICLE 17

ENTRY INTO FORCE, DURATION AND TERMINATION

1. This Agreement shall become effective upon signature of the Parties, and shall remain in force until the complete reimbursement of the soft loan.

2. The Agreement may be terminated by either Party giving 3 (three) months written notice in advance, through the diplomatic channels, of its intention to terminate the Agreement.

In witness whereof the undersigned, being duly authorized by their respective Governments, have signed and sealed this Agreement in the English language in duplicate, both texts being equally authentic.

Done at Addis Abeba on this 20th Day of Nov 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 COOPERATION OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

ABDULAZIZ MOHAMMED
Minister

The Federal Democratic Republic of Ethiopia