IMPLEMENTING AGREEMENT

BETWEEN

THE GOVERNMENT OF ITALIAN REPUBLIC

AND

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Regarding the Programme: **"Inclusive and Sustainable Development of Agricultural Value Chain in Oromia and Southern Nations, Nationalities, and Peoples' Region (SNNPR)"**, (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 modernization of agriculture and the development of agro-industry is considered a pillar of the national strategy to end poverty;

WHEREAS the strategic cooperation objectives of the Government of the Italian Republic 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 Government of the Federal Democratic Republic of Ethiopia, in order to improve alignment and harmonization, promote results-based approaches, predictability and transparency, and avoid overlapping;

WHEREAS in line with the principles laid out in the 2005 Paris Declaration on Aid Effectiveness and strengthened in the 2011 Busan Partnership for Effective Development Cooperation, the Italian Agency for Development Cooperation (AICS) will continue to base its interventions in Ethiopia on a Programmatic approach and in coordination with other actors of the Rural Economic Development and Food Security Sector Working Group (hereinafter referred to as "RED&FS SWG") and of the Donor Assistance Group (DAG);

WHEREAS under the Ethio-Italian Country Programme 2017-2019, signed on September 15th 2017, the Ministry of Finance and Economic Cooperation (hereinafter referred to as "MoFEC") for the Ethiopian side 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 have agreed on the provision of funds in support of Agricultural and Agro- Industrial Sectors, for the years 2017- 2019, in alignment with GTP II strategy;

WHEREAS the Italian Agency for Development Cooperation has been instituted by law 125/2014 as an autonomous agency, operational from 1 January 2016 and 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 (MAECI);

WHEREAS the Statute of the Italian Agency for Development Cooperation has been approved by the inter-ministerial decree n.113/2015, which makes provisions for the financial means of the Agency (Art.13);

WHEREAS in November 2017 the Ministry of Agriculture and Natural Resources (hereinafter referred to as "MoANR") submitted for the consideration of the Italian Agency for Development Cooperation, Addis Ababa Office (hereinafter referred to as "AICS Addis Abeba") a formal request of contribution for the support to the development of selected agricultural value chains in the procurement zones of the Integrated Agro-Industrial Parks (IAIP) in Oromia and Southern Nations, Nationalities, and Peoples' Region (SNNPR);

WHEREAS the Joint Development Cooperation Committee has approved the financing of the Programme "**Inclusive and Sustainable Development of Agricultural Value Chain in Oromia and SNNPR**" on December 21st 2017.

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 (here after referred to as the "Agreement"):

Acronyms & abbreviations

AGP 2	Agricultural Growth Programme 2
AICS	Italian Agency for Development Cooperation
AOP	Annual Operational Plan
AR	Annual Report
ATA	Agricultural Transformation Agency
BoANR	Bureau of Agriculture and Natural Resources
BoE	Bureau of Environment
BoFEC	Bureau of Finance and Economic Cooperation
BoH	Bureau of Health
BoI	Bureau of Industry
BoWA	Bureau of Women's Affairs
BoYS	Bureau of Youth and Sports
CDP	Cassa Depositi e Prestiti
CPA	Cooperative Promotion Agency
DAG	Donor Assistance Group
EIAR	Ethiopian Institute of Agricultural Research
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FCPA	Federal Cooperative Promotion Agency
FPCU	Federal Programme Coordination Unit
FR	Final Report
FSC	Federal Steering Committee
GoE	Government of the Federal Democratic Republic of Ethiopia
GoI	Government of the Italian Republic
GOP	Global Operational Plan
GTP	Growth and Transformation Plan
IA	Implementing Agency
IAIP	Integrated Agro-Industrial Park
ICB	International Competitive Bidding
IE	Italian Expert
IP	Implementing Partners
LIA	Low Income Area
MAECI/ DGCS	Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation
MoANR	Ministry of Agriculture and Natural Resources
MoFEC	Ministry of Finance and Economic Cooperation
MoE	Ministry of Environment
MoH	Ministry of Health
MoI	Ministry of Industry

MoW	Ministry of Women's Affairs
MoYS	Ministry of Youth and Sports
NBE	National Bank of Ethiopia
NCB	National Competitive Bidding
OARI	Oromia Agricultural Research Institute
OFAG	Office of the Federal Auditor General
OP	Operational Plan
PCU	Programme Coordination Unit
PD	Programme Document
POA	Plan of Action
RAOP	Regional Annual Operational Plan
RED&FS	Rural Economic Development & Food Security
RPCU	Regional Programme Coordination Unit
RSC	Regional Steering Committee
SAR	Semi Annual Report
SARI	Southern Agricultural Research Center
SC	Steering Committee
SNNPR	Southern Nations, Nationalities and People's Region
TA	Technical Assistance
VAT	Value Added Tax

ARTICLE 1

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 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.

This Agreement consists of the present Text, the Programme Document (PD), which constitutes Annex A, and the eligibility criteria, ethical clauses and contract general principles document, which constitutes Annex B.

ARTICLE 2

PROGRAMME OBJECTIVES

The **Overall Objective** of the Programme is to contribute to agro-industrial development and the creation of the enabling environment for the establishment of Integrated Agro-Industrial Parks in Oromia and SNNP Regions.

The **Specific Objective** of the Programme is to develop inclusive and sustainable agricultural value chains in Oromia (wheat and industrial tomato) and SNNPR (avocado and pineapple).

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

3.1 Contribution of GOI

The total financial contribution of the GOI consists in a Loan up to a ceiling of **EURO 30,000,000** (thirty million EURO/00) for the implementation of Programme activities as specified in the PD in Annex 1.

The general conditions of the loan are described in the article 6 of this Agreement, while crediting and disbursement modalities are described in the "Financial Agreement" to be signed between Cassa Depositi e Prestiti S.pA. (the financial institution managing the soft loans on behalf of the GOI) and MoFEC.

The financial conditions are the following:

- Annual interest rate: 0,00%;
- Repayment: 30 years of which 20 of grace period, in equal, consecutive, and deferred installments.

3.2 Contribution of MoFEC on behalf of GOE through MoANR

MoFEC shall ensure that MoANR share the costs of the Programme. It has been estimated that GOE will provide approximately **20%** of the total amount of the Loan contribution (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. The GOE shall also ensure that MoANR contributes 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

4.1 The main Institutions involved in the implementation of the Agreement are:

For the GOE side:

- The **Ministry of Finance and Economic Cooperation of Ethiopia (MoFEC),** representing the GOE as counterpart of the GOI for this Agreement and the Financial Agreement with Cassa Depositi e Prestiti S.p.A. MoFEC will be the recipient institution for Italian funds and will be responsible for their transfer to MoANR.

- The **Ministry of Agriculture and Natural Resources (MoANR)**, representing the main executing entity of the Programme, will be responsible for the general management of the funds transferred by MoFEC under the present Agreement. MoANR will be responsible for the transfer of funds to other Implementing Partners (IPs) as specified in the Global and Annual Operational Plans. MoANR will operate in consultation and full cooperation with the Regional Bureaus of Agriculture (BoANR) of Oromia and SNNPR. The Programme shall comply with the framework described in the PD, and shall follow the MoANR procedures for the execution of funds.

- The **National Bank of Ethiopia** (**NBE**), acting as administrator of the two "Special Accounts" for the Programme, in Euro and ETB as defined in article 6 of this Agreement and into which the GOI shall transfer agreed funds;

- The **Regional Bureau of Agriculture and Natural Resources** (**BoANR**) of Oromia and SNNP Regions acting as implementing bodies in support to the Woreda line offices.

For the GOI side:

- The **Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI/DGCS)**, representing the GOI for the Agreement.

- 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 for the implementation of this Agreement. It is responsible for the supervision of the bilateral cooperation activities between Italy and Ethiopia.

- **Cassa Depositi e Prestiti S.p.A.** (CDP), the Italian Cassa Depositi e Prestiti will act as lender for the Loan on behalf of GOI providing all the transfers requested by MoFEC and receiving the repayments according to 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

5.1 Federal Steering Committee (hereinafter referred to as "FSC"): the FSC will be in charge of the overarching supervision of the Programme and will ensure the general coordination and harmonization of the Programme with other initiatives (such as the AGP 2). Moreover, it will define strategic direction, approve and endorse general and annual plans (GOP, AOP), approve technical and financial reports and manage and resolve disputes. The FSC will be composed of one representative of MoFEC, MoANR, MoWA, Oromia and SNNPR BoANR and AICS. FAO will ensure the secretariat of the SC. FCPA, ATA, MoI, MoH, MoE, MoY, EIAR, OARI, SARI will be associated as observers.

5.2 Oromia and **SNNPR Regional Steering Committees** (hereinafter referred to as "RSCs") will be responsible for the identification of the investments related to the Programme in their respective Regions, approval of partner financial institutions (banks, MFIs, insurance companies) identified by the RPCUs, coordination among regional stakeholders, monitoring of the implementation of the Programme activities, approval of regional annual plans (RAOP) and technical and financial reports. The RSCs will be composed by one representative of BoFEC, BoANR, AICS and FAO, BoWA. CPA, ATA, BoI, BoH, BoE, BoY, Regional Research Institutes and Regional Industrial Park Development Corporations will be associated as observers.

5.3 The FSC and the RSCs shall meet every six months and under request of any of their members, when decisions are required. All decisions of the FSC and RSCs must be unanimously taken. All costs associated with the participation to the meetings, if any, will be borne by the respective institutions.

5.4 Programme Coordination Units: MoANR will appoint a **Federal Programme Coordination Unit** (hereinafter referred to as "FPCU") composed by a Programme coordinator and an accountant; the Oromia and SNNP BoANR will appoint their **Regional Programme Coordination Units** (hereinafter referred respectively to as "RPCU"), composed by a Programme coordinator a gender expert and an accountant.

The FPCU and RPCUs will be responsible respectively for federal and regional planning, supervision, coordination, monitoring and reporting of the Programme, including monthly, quarterly, semi- annual, annual and final reporting as detailed in Article 7.

The PCUs will be supported by the Technical Assistance of FAO and AICS Addis Ababa.

5.5 Operational Plans:

During the first month of the Programme, FAO will formulate a technical proposal for the allocation of resources among value chains, regions, and programme components. The proposal will be approved by the FSC of the Programme.

Subsequently, MoANR and Oromia and SNNP BoANR, with the technical assistance of AICS and FAO, shall formulate the **Global Operational Plan** and the first **Annual Operational Plan** (hereinafter referred respectively to as "GOP" and "AOP"), taking into account the PD and the budget allocations approved by the FSC, and submit it to the FSC for approval.

Subsequently, the Regional PCUs with the technical assistance of AICS and FAO, shall prepare the first **Regional Annual Operational Plan** (hereinafter referred respectively to as "RAOP") in line with the provisions of the PD and the available regional budget as indicated by the FSC. These documents will be approved by the RSCs.

The whole process of elaboration of the GOP, the AOP and the RAOP shall be completed within 90 days from the signature of Agreement.

During the second and third years of the Programme the Regional PCUs with the technical assistance of AICS and FAO, shall prepare their RAOP in line with the provisions of the PD and the available regional budget as indicated by the FSC. These documents will be approved by the RSCs and transmitted to the FPCU. The FPCU, with the technical assistance of AICS and FAO, shall compile the AOP, integrating the federal activities to the RAOPs, and submit it to the FSC, for endorsement.

The RAOP and AOP shall be approved within 90 days from the end of the previous AOPs implementation period.

5.6 Programme Review Meetings shall take place quarterly at regional and federal levels and shall be attended by the PCUs, FAO and AICS and any other relevant actor as decided by BoANR and MoANR. Program Review Meetings shall serve as a platform to review the progress of Programme implementation.

5.7 Technical Assistance and Programme Supervision: FAO will provide specific technical assistance to all institutions across the value chain of the four target commodities. AICS will provide technical assistance for planning and for the component number 3 "Access to Finance and Innovative Financial Products". In order to facilitate an effective implementation of the Programme, AICS Addis Ababa will support the Programme supervision through regular consultation with RPCU, FPCU and FAO.

The Programme Implementation Schedule is tentatively described in the PD. It shall be revised and endorsed within the period of implementation of relevant OPs.

ARTICLE 6

CREDITING MODALITIES OF ITALIAN FUNDS

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

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 Special Account opened at the NBE for the purpose of the Programme.
- The funds allocated will be transferred by MoFEC to a local currency (ETHIOPIAN BIRR) Special Account managed by MoANR.

6.2 Instalments

Upon entering into force of the present Agreement and the signature of a Financial Agreement between MoFEC and CDP, and pursuant to the following clauses of this Agreement, the same CDP will transfer the funds, in three instalments:

	I Instalment	II Instalment	III Instalment	Total
Loan	**10,000,000**	**10,000,000**	**10,000,000**	**30,000,000**

Each, according to the below crediting procedures:

6.3 Crediting procedures

Upon entering into force of this Agreement and of the Financial Agreement, the following pre-conditions will have to be fulfilled prior to the start-up of the crediting procedure by CDP of the **first installment:**

a) Formal approval of the Global Operational Plan and Annual Operational Plan, according to Art. 5.5 of this Agreement. The documents shall include a disbursement plan for the Loan;

b) The signature of an on-granting agreement between MoFEC and MoANR, after approval from AICS Addis Abeba;

c) Written evidence from MoARN that key supporting staff (Federal and Regional Project Coordination Units personnel) at MoANR and BoANR level is under recruitment (elaboration of job description, publication of the vacancy announcements);

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

a) **100% of the amount of the first instalment has been committed by MoANR** and at least **40% spent and justified;**

b) The Annual Operational Plan is produced and endorsed. The document shall include a disbursement plan for the Loan;

c) Submission of the audit reports concerning the use of the first installment prepared in accordance with article 8. Such installment audit report shall be approveded by CDP and by AICS.

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

d) **100% of the amount of the second instalment has been committed by MoANR** and at least **40% spent and justified** at local level, **100% of the first instalment is spent and justified.**

e) The Annual Operational Plan is produced and endorsed. The document shall include a disbursement plan for the Loan;

f) Submission of the audit reports concerning the use of the first and second installments prepared in accordance with article 8. Such installment audit reports shall be approveded by CDP and by AICS.

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 Programme activities, they will be covered by the GOE contribution (see article 3.2 of this Agreement).

ARTICLE 7

ACTIVITIES AND FINANCIAL REPORTS

7.1 The MoANR will provide an AOP as a precondition for the first disbursement of the Loan as well as AOP for each new disbursement taking into account the audit report.

7.2 Monthly technical and financial reports: compiled by the Implementing Partners (IPs) and addressed to the RPCUs and the FPCU. These are monitoring instruments.

7.3 Quarterly technical and financial reports: compiled by the RPCUs and the FPCU for the Programme Review Meetings. These are monitoring instruments.

7.4 Six-months technical and financial reports: compiled by the RPCUs and the FPCU for the respective regional and federal SCs. These are monitoring instruments.

7.5 Semi- Annual Reports (SAR): MoANR will provide to AICS Addis Abeba semi-annual financial/administrative and technical reports. The reports will analyze the utilization of the entire fund (Loan) of the Programme including procurement process concerning NCB tenders mentioned in art. 9.4.

The SAR shall include two sections reporting the description of the activities carried out (first section) and the relevant financial, administrative and procurement information (second section). The first SAR shall cover the first six months of activity starting from the date on which the funds have been credited.

7.6 Annual Reports (AR): MoANR will provide to AICS Addis Abeba annual financial/administrative and technical reports. The Annual Report will be audited by the Office of the Federal Auditor General (OFAG). The report shall have the same structure as for the point 7.5 above.

7.7 Final Report (FR): MoANR will provide to AICS Addis Abeba annual financial/administrative and technical reports. The Final Report will be audited by the Office of the Federal Auditor General (OFAG). The report shall have the same structure as for the point 7.5 above.

7.8 The FPCU and the RPCUs in Oromia and SNNPR are 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 MoANR offices. The accounting system and/or record keeping must track the advances received and the expenditure records of the Programme. The Programme Coordinators in each RPCU shall ensure the transmission of all the necessary financial and activity documents to the FPCU in order to prepare the SARs, ARs and FR. Financial reports, statements of the executed expenses and contracts shall be presented to the 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. AICS Addis Ababa will approve the TORs, the selection process and the contract. The auditor will audit yearly the disbursements under the Programme, on the 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. The Auditor shall also produce the report related to the use of each installment.

The external audit will focus on both:

- Administrative and financial aspects: compliance with MoANR procedures (including procurement process, bidding document preparation, selection and awarding process). The procurement process shall concern only NCB tenders in article 9.4.

- 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 shall justify the use of 100% of the tranches.

8.2 Other activities

Parties will have the right to perform, at their own expenses, all the monitoring and 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 through their Addis Ababa offices whenever deemed appropriate.

ARTICLE 9

USE OF ITALIAN FUNDS

9.1 The Loan will be managed according to the budget allocations agreed on in the PD or subsequently modified according to the procedures foreseen in this Agreement.

In the event of the unsatisfactory progress of Programme activities resulted from review missions performed by AICS, and of a consequent decision of withdrawing funds from the Programme, the Italian funds already disbursed and not spent will be made available to the GOI.

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

9.3 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.

9.4 Procurement activities
Procurement activities will be performed at federal and regional level by FPCU and RPCUs, with the assistance of MoANR and BoANR, according to the budget allocations in the AOP 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 200,001 $ per consulting services. More than 300,001 $ for individual consultant including engineering construction and supervision.	Less than (or equal to) 200,000 $ per consulting services Less than (or equal to) 300,000 $ for individual consultant including

		engineering construction and supervision.
Goods	More than 1,000,001 $	Less than (or equal to) 1,000,000 $
Works	More than 7,000,001 $	Less than (or equal to) 7,000,000 $

9.4.1 AICS holds the right to review procurement decisions in order to ensure that activities have been conducted in an efficient and transparent manner, and in conformity with established guidelines.

9.4.2 For all **NCB** processes, regarding the entire amount of the Programme, AICS Addis Ababa, will perform an ex-post review of all procurement procedures on the basis of the latest semi-annual financial and technical reporting (see Article 7.5) and an annual audit report (see Article 7.6) presented by the MoANR 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 RPCUs and FPCU.

9.5 Residual funds not utilized after the validity period of this Agreement, including possible extensions, shall be used for additional activities upon written approval of the Parties.

ARTICLE 10

OBLIGATIONS FOR THE ETHIOPIAN PARTY

10.1 MoFEC shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.

10.2 MoFEC 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 MoFEC 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.

10.4 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 ITALY

CDP shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.

AICS shall accomplish all the required activities for the supervision of the Programme. It shall dedicate particular attention to the efficiency for funds utilization and to the effectiveness of 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 MAECI/DGCS, on behalf of the GOI, 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, on behalf of the GOI, authorizes resumption of the Programme activities.

ARTICLE 14

PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

MoFEC and MoANR shall ensure that the funds provided by GOI under this Agreement will be used strictly in accordance with the provisions of this Agreement. 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, due to severe fault by MoANR and MoFEC, 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 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.

15.2 In case of the above mentioned severe fault, MAECI/DGCS, on behalf of the GOI, shall notify the event in writing to the GOI via MoFEC, 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.

15.3 In the cases mentioned above, the GOI may decide unilaterally the termination of this Agreement notifying, through Verbal Note, the GOE via MoFEC with at least three months in advance. In all cases, after such notification, MoFEC shall stop all activities of the Programme, unless otherwise agreed between the two Parties.

ARTICLE 16

AMENDMENTS

16. The Parties may amend this Agreement, at any time by means of exchange of Verbal Notes between the Parties. The amendment shall come into force on the date of the Verbal Note.

ARTICLE 17

ENTRY INTO FORCE, DURATION AND TERMINATION

17.1 This Agreement shall come into force on the date of signature and shall remain in force until the complete reimbursement of the Loan.

17.2 At the end of the Programme activities, the Final Project Report (in line with article 7) shall include an additional section dedicated to the status of the loans disbursed to the IPs and the plan of foreseen repayments.

17.3 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 GOI.

17.4 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 GOI.

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 ABABA on this 22 Day of JUNE 2018

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC	FOR THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
H.E. Arturo Luzzi Ambassador of Italy to Ethiopia	H.E. Admassu Nebebe State Minister Ministry of Finance and Economic Cooperation

Acknowledged by Italian Agency for Development Cooperation AICS:

Giulia Giacomuzzi
Acting Head of AICS

AGENZIA ITALIANA PER LA COOPERAZIONE ALLO SVILUPPO

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FOR THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

H.E. Admassu Nebebe
State Minister
Ministry of Finance and Economic Cooperation

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC

H.E. Arturo Luzzi

Ambassador of Italy to Ethiopia

Acknowledged by Italian Agency for Development Cooperation AICS:

Giulia Giacomuzzi
Acting Head of AIC