

GRANT AGREEMENT

between

THE CENTRAL EUROPEAN INITIATIVE - EXECUTIVE SECRETARIAT

and

**THE ITALIAN REGULATORY AUTHORITY FOR ENERGY, NETWORKS AND ENVIRONMENT
(ARERA)**

RELATING TO THE IMPLEMENTATION OF THE PROJECT TITLED

**CEI SUPPORT FOR STRENGTHENING ENERGY REGULATORY AUTHORITIES IN THE WESTERN BALKANS
SECOND PHASE
REF. No. 1206.001-18**

TO BE PARTLY-FINANCED UNDER THE KNOW-HOW EXCHANGE PROGRAMME OF THE CENTRAL EUROPEAN INITIATIVE

The Central European Initiative - Executive Secretariat (CEI-ES), hereinafter called the GRANTOR with its main office located in Via Genova 9, 34121, Trieste, Italy, on behalf of the Office for the CEI Fund at the EBRD, located at the same address as the CEI-ES, who assumes all the responsibilities of the GRANTOR throughout the implementation of the project entitled "CEI support for strengthening Energy Regulatory Authorities in the Western Balkans - Second phase" Ref. No. 1206.001-18

on one side, and

the Italian Regulatory Authority for Energy, Networks and Environment (ARERA), called Applicant in the Project Application Form and hereinafter called the GRANTEE, with its main office located in Corso di Porta Vittoria, 27, 20122 Milan, Italy

on the other side,
have agreed as follows:

1. GENERAL PROVISIONS

- 1.1 The GRANTEE commits to undertaking all the activities specified in the attached Application Form for the Know-how Exchange Programme (KEP), submitted on 16/07/2018, duly signed by the GRANTEE and by the following beneficiaries (hereinafter called the KNOW-HOW BENEFICIARIES):

- Albanian Energy Regulatory Entity (ERE) with its main office located in Str. “Viktor Eftimiu” 1023, Tirana, Albania.
- Regulatory Agency of Montenegro (REGAGEN) with its main office located in Bulevar Sv. Petra Cetinjskog 96, 81000 Podgorica, Montenegro.
- Energy Agency of the Republic of Serbia (AERS) with its main office located in Terazije 5, V floor, 11103 Belgrade, Serbia.

The GRANTOR agrees to co-finance the activities of the project with a grant contribution amounting to a maximum of 39.855,00 EUR (thirty-nine thousand eight hundred fifty-five), which constitutes the 46,6% of the total project cost amounting to 85.521,00 EUR (eighty-five thousand five hundred twenty-one). The portion to be co-financed by the GRANTEE from its own and/or external resources will be of at least 45.666,00 EUR (forty-five thousand six hundred sixty-six).

- 1.2 By signing this Grant Agreement, the GRANTEE acknowledges its sole responsibility for the implementation and financial management of the project in accordance with the project Application Form, attached to this Grant Agreement. In case the GRANTEE delegates part of the implementation and/or the financial management of the project to a qualified partner, such delegation cannot and must not restrict nor remove the legal responsibility of the GRANTEE for the implementation of the project and the sound management of the CEI grant.

2. IMPLEMENTATION, MODIFICATION AND TERMINATION OF THE PROJECT

- 2.1 THE GRANTEE commits to fully implementing the project and to concluding all related operations at the latest by 31/12/2019, as detailed in paragraph 1.6 of the project Application Form.
- 2.2 If after the approval of the CEI contribution any changes occur with regard to the dates, venue, title, scope of activities, participation, budget, personnel involved in the project, or any other project aspects described in the Application Form, the GRANTEE will promptly inform the GRANTOR and obtain its written approval before implementing any modifications. The implementation of activities or payment of expenses in a form not authorised by the GRANTOR may result in the reduction or cancellation of the grant. If such a situation arises, the GRANTEE will return the amounts received within fourteen (14) days upon receiving a written request from the GRANTOR.
- 2.3 In case the implementation of the project has to be stopped for Force Majeure, as defined below, and the GRANTEE submits relevant explanatory documentation, and none of the situations described in article 3.4 of this Agreement occurred, the GRANTOR will disburse the amount of the grant proportionally to the completed project activities. The disbursement of the grant will take place upon submission by the GRANTEE of satisfactory final implementation documentation as described in articles 4.2 and 4.3 of this Agreement. For the purpose of this Agreement, “Force Majeure” means an event which is beyond the reasonable control of the GRANTEE, is not foreseeable, is unavoidable, and which makes the GRANTEE’s performance of its duties hereunder impossible or impractical as

reasonably to be considered impossible in the circumstances. Force Majeure may include, but is not limited to, war, riots, civil disorder, earthquake, fire, explosion, storm, flood or other adverse weather conditions, strikes, lockouts or other industrial actions. Force Majeure shall not include any event which is caused by the negligence or intentional action of the GRANTEE, nor any event which a diligent GRANTEE could have been expected to take into account at the time of the signing of this Agreement.

2.4 The GRANTEE will delegate Istituto per la Competitività (I-Com) with its main office located in Piazza dei S. Apostoli 66, 00187 Rome, Italy, the implementation of the administrative activities, including but not limited to logistics, promotional services, dissemination, as well as the financial management of the project. The GRANTOR shall pay the Advance Payment as referred to in Article 3.1 a) of the Grant Agreement and the Final Payment as referred to in Article 3.1 b) of the Grant Agreement to Istituto per la Competitività (I-Com).

3. PAYMENTS TO THE GRANTEE

3.1 The GRANTOR's contribution to the implementation of the project will be paid as follows:

- a) Advance Payment. The GRANTEE is entitled to an Advance Payment of up to fifty (50) per cent of the eligible grant contribution. The Advance Payment will be paid to the GRANTEE within thirty (30) days upon receipt of the Request for Advance Payment. The GRANTEE can submit to the GRANTOR the request for Advance Payment only after all of the following conditions have been satisfactorily met:
 - i. An original copy of this Grant Agreement signed by the parties has been received by the GRANTOR.
 - ii. The GRANTOR has approved, by written communication, the following documentation in English submitted by the GRANTEE: the detailed working schedule of the project's activities, and the Curricula of professional personnel involved in the project. The documentation must be submitted by the GRANTEE within seven (7) days upon receipt of the communication issued by the GRANTOR about the award of the grant. The GRANTOR must approve the documentation within seven (7) days upon reception.
- b) Final Payment. The GRANTEE is entitled to a Final Payment in the amount that constitutes the difference between the amount of the eligible expenses and the amount already disbursed to the GRANTEE as Advance Payment. The GRANTEE shall bear in mind that the sum of Advance and Final payments must not exceed the maximum grant contribution authorised by the GRANTOR as described in article 1 of this Agreement. The Final Payment will be paid to the GRANTEE within thirty (30) days upon approval of the GRANTOR of the full project implementation/financial documentation and the submission Final Payment Request. The GRANTOR will communicate its decision in written format within sixty (60) days of receiving the documentation or of observing

the conditions described in article 3.4. The Final Payment will be disbursed to the GRANTEE after all of the following conditions have been satisfactorily met:

- i. The GRANTEE has prepared and submitted a narrative Final Implementation Report along with supporting documents as described in article 4.2 of this Agreement. The Report must be submitted to the GRANTOR within sixty (60) days upon conclusion of project activities.
- ii. The GRANTEE has prepared and submitted a Final Financial Report along with supporting documents as described in article 4.3 of this Agreement. The Report must be submitted to the GRANTOR within sixty (60) days upon conclusion of project activities.

3.2 Should the actual expenditures for the project be lower than the envisaged total budget, the CEI grant contribution will be proportionally reduced to maintain the originally approved percentage of the grant in the total project budget (46,6 % of total budget amounting to 85.521,00 EUR).

3.3 The GRANTEE recognises the fact that the GRANTOR requires its grant to be spent exclusively on the budget items authorised by the CEI Committee of National Coordinators (CNC) in their grant approval decision and not exceeding the amounts authorised by the CNC for each eligible budget item. Any variation in the purpose of the grant or any alterations of the amounts of the grant allotted to the budget items are subject to prior written consent by the GRANTOR. In case the GRANTEE fails to obtain such consent, adequate deductions will be made by the GRANTOR from the Final Payment in accordance with the budget approved by the GRANTOR.

3.4 At any project implementation stage the GRANTOR will be allowed to request the amounts already disbursed to the GRANTEE in one or more of the following cases:

- a) The Progress Report (as described in article 4.1 of this Agreement) or monitoring of the project implementation by the GRANTOR have revealed serious obstacles in the implementation of the project that cannot be mitigated and are liable to have a major unfavourable impact on the results of the project. Such obstacles may include, but are not limited to, the refusal of the KNOW-HOW BENEFICIARY to participate in project activities, proof that initial assumptions of the project were mistaken, and insufficient funds.
- b) The activities carried out by the GRANTEE show reasonable indications that they would not meet the objectives of the project due to the negligence of the GRANTEE.
- c) The expenses of the project have not been adequately documented, as described in article 4.3 of this Agreement.

- d) The scope of activities and/or project budget have been modified without prior written authorisation of the GRANTOR, as described in articles 2.3 and 3.3 of this Agreement.
- e) The GRANTEE has failed to provide proper visibility to the GRANTOR by not displaying the GRANTOR's logo and not referring to the GRANTOR's role in the project throughout its implementation as described in point 5.2 of the Application Form and article 5 of this Agreement.

3.5 The amounts withheld by the GRANTOR as a result of the failure of the GRANTEE to meet any of the conditions described in article 3.4 of this Agreement will remain at the sole discretion of the GRANTOR based on its fair judgement of the points outlined in the above article 3.1b. The GRANTOR will communicate its decision in written format within sixty (60) days of receipt of documentation or after observing the conditions described in article 3.4. In this communication the GRANTOR will advise the GRANTEE on the amounts of the contribution to be withheld and reasons for such a decision. Upon receipt of such communication, the GRANTEE will have thirty (30) days to make any corrections or submit additional project documentation to the GRANTOR. Otherwise, all rights to claims over the deducted amounts will be lost. The GRANTOR will review the additional documentation and will communicate its final decision to the GRANTEE within fourteen (14) days of receipt of supplemental documentation.

3.6 Both the Final Implementation Report and the Final Financial Report along with the accompanying documents must be submitted to the GRANTOR within sixty (60) days upon completion of the project activities. Failure to do so may result in the GRANTOR's cancellation of the Final Payment and the request for the restitution of the Advance Payment in its full amount. If such a situation arises, the GRANTEE will return the amount of the Advance Payment within fourteen (14) days of receipt of the written request from the GRANTOR.

4. DOCUMENTATION, REPORTING, AND MONITORING

4.1 The GRANTEE undertakes the duty to provide the GRANTOR with Progress Implementation Report(s). A Progress Implementation Report has to outline the project activities undertaken as well as a list of expenditures incurred. A Progress Implementation Report must cover all project activities that have been implemented or are being implemented at the time of the drafting of the Report. Regardless of the duration of the implementation period of the project, any project lasting less than a year requires the mandatory submission of one progress report. The report should be submitted at the midpoint of the implementation period. In case of projects lasting more than twelve months, Progress Reports must be submitted at least every six months.

4.2 The Final Implementation Report duly signed by the GRANTEE and by the KNOW-HOW BENEFICIARY will provide the following information:

- a) Summary report on implemented activities and results achieved, including information on any difficulties occurred during the implementation of the project as well as on planned follow-up activities. The GRANTEE shall include in the Report (in Microsoft Excel format) the lists of participants, experts, consultants, and all other stakeholders, who took part in the project's implementation, including their contact details (email addresses and telephone numbers), capacity in which they participated in project activities, and qualifications.
- b) Copies of all materials produced during the implementation of the project (e.g. programmes, analyses, reports, reviews, press releases, presentations, and others).
- c) Assessment of the achieved results by the KNOW-HOW BENEFICIARY (i.e. usefulness and effectiveness of the project, ownership, collaboration with the GRANTEE, required follow-up actions, and others).
- d) Information on the project's publicity and CEI visibility, including information on prepared press releases, articles, websites, mailing campaigns, and others; and the use of the CEI logo and references to the CEI's role in the project.
- e) Whenever appropriate, photographic material for possible publications.

4.3 The Final Financial Report will provide the following detailed information:

- a) Justification of expenses for the entire project budget, including items paid by the CEI grant.
- b) Invoices or equivalent proof of payments. These documents shall be submitted to the GRANTEE in original or authenticated copies in English or accompanied by an appropriate translation into English.
- c) With regard to personnel expenditures, the GRANTEE will submit the following documentation:
 - i. Curricula of professional personnel involved in the project.
 - ii. Copies of payslips (or the work Terms of Reference and proof of payment made in case of external consultants).
 - iii. The detailed working time sheets.
- d) With regard to accommodation and travel expenses, the GRANTEE shall provide individual invoices or equivalent proof of payments made (hotel bills and travel air tickets shall contain names of guests/ passengers).

e) With regard to in-kind contributions (with the exception of the personnel costs which must be justified as outlined in article 4.3c of this Agreement), the GRANTEE will provide accounting documents having a probative value equivalent to an invoice.

4.4 At any time during project implementation, upon request of the GRANTOR, the GRANTEE will provide information on the status of the execution of the project, implemented activities, encountered difficulties, work schedule, as well as all other project aspects.

4.5 The GRANTOR reserves the right to appoint its staff members or an external consultant to monitor the implementation of the project, and the GRANTEE undertakes to invite representatives of the GRANTOR to all project activities and public events organised within the project.

4.6 All project documentation must be submitted by the GRANTEE to the GRANTOR in English at the following address:

Office for the CEI Fund at the EBRD
Via Genova 9
34121 Trieste
Italy

The GRANTOR reserves its right to request the documentation also in electronic format.

5. GRANTOR'S VISIBILITY

5.1 The GRANTEE undertakes to acknowledge the CEI contribution and, thus, ensure appropriate CEI visibility, in particular by displaying the CEI logo on all material (e.g. billboards, posters, captions, programme, leaflets, advertisements, invitations, and others) produced in the course of the project as well as at all public events organised in the context of the project activities. The GRANTEE recognises that the disbursement of the grant will be subject to the proper use of the CEI logo and references to the CEI's role in the project.

6. COPYRIGHT

6.1 The GRANTEE acknowledges the GRANTOR's right to copy, use in any appropriate way, and distribute, for non profitable purposes, any documents produced within the framework of the activities funded within the project.

7. FAIRNESS AND GOOD FAITH

7.1 The GRANTOR and the GRANTEE undertake to act in good faith with respect to each other's rights under this Grant Agreement and to adopt all reasonable measures to ensure the execution of the project to the highest success level.

8. SETTLEMENT OF DISPUTES

8.1 The GRANTOR and the GRANTEE agree that the avoidance or early resolution of disputes is crucial for a smooth execution of this Agreement and the success of the assignment. The GRANTOR and the GRANTEE shall use their best efforts to settle amicably all disputes arising out of or in connection with this Agreement or its interpretation, including mediation using a Mediator acceptable to both parties.

8.2 Any dispute between the GRANTOR and the GRANTEE as to matters arising pursuant to this Agreement that cannot be settled amicably within sixty (60) days after receipt by one Party of the other Party's request in written communication for such amicable settlement may be submitted to an Arbitrator chosen by the GRANTOR. The dispute will be settled under the provisions of Italian law. In the event of a conflict between the provisions of this Grant Agreement and the attached Application Form, the provisions of this Agreement shall prevail over the latter.

Attachments:

1. *KEP Application form and budget submitted on 16/07/2018.*
2. *Letter of approval dated 19/10/2018.*

Signed by:

For the Central European Initiative - Executive Secretariat (the GRANTOR)

(Name, Surname, Position, Legal representative)

Signature: _____

Date: _____

For the Italian Regulatory Authority for Energy, Networks and Environment (the GRANTEE)

(Name, Surname, Position, Legal representative)

Signature: _____

Date: _____