



**AGREEMENT**

**BETWEEN**

**THE GOVERNMENT OF THE ITALIAN REPUBLIC**

**AND**

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

For the implementation of the Programme:

**"Italian Contribution to the Millennium Development Goals Performance Fund (MDG Fund) – 2013-2015"**

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

**WHEREAS** Italy, together with Ethiopia and other Partners, is engaged in the framework of the Global Campaign for the achievement of the Millennium Development Goals and has signed, in August 2007, the "International Health Partnership (IHP) Global Compact" and, in August 2008, the "Ethiopia IHP Country Compact". These processes are the follow up of the Paris Declaration principles i.e. National ownership, Alignment with national systems, Harmonization between agencies, Managing for results and Mutual accountability with the aim of increasing the aid effectiveness in the health sector;

**WHEREAS** under the Ethio-Italian Cooperation Framework 2013-2015 (hereinafter referred to as CF) signed in Addis Ababa on May 30, 2013 by the Ministry of Finance and Economic Development (hereinafter referred to as MoFED) for the Ethiopian side and by the Italian Ministry of Foreign Affairs for the Italian side, it was agreed that the health sector will continue, considering the good level of effectiveness, innovation and sustainability, to enforce the process of harmonization among Development Partners and alignment with the Government Procedures;

WHEREAS

under the CF, it is agreed that the amount of 10,800,000 Euro in grant and 5,000,000 Euro in soft loan will be allocated to the health sector and will be channelled to support mainly the following:

- a) the MDG fund, directly managed by the Federal Ministry of Health for the amount of 7,000,000 Euro in grant;
- b) the Health Information System development for the amount of 3,500,000 Euro in grant;
- c) the Health Pooled Fund to UNICEF for the Health Population and Nutrition for the amount of 300,000 Euro in grant;
- d) the health sector for the amount of 5,000,000 Euro in soft loan;

WHEREAS



for the years 2013, 2014 and 2015, it is agreed that the amount of 7,000,000 Euro in grant will be allocated to the MDG fund, directly managed by the Federal Ministry of Health using GOE procedures;

WHEREAS

throughout appraisal activities jointly carried out in January to May 2013 by the experts of the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs (hereinafter referred to as "MAE/DGCS") and by the Federal Ministry of Health, the initiative named "Italian Contribution to the Millennium Development Goals Performance Fund (MDG Fund) – 2013-2015" (hereinafter referred to as the "Programme") has been prepared, endorsed by MoFED and sent to the Embassy of Italy in Addis Ababa with a request for financing.

WHEREAS

the Board of the Italian Development Cooperation has approved the financing of the Programme on September 19, 2013.





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 and the MDG Fund "Joint Financing Arrangement, Version II, revised December 2011" hereto referred as JFA and attached in Annex A.

## ARTICLE 2

### PROGRAMME OBJECTIVES

The **General Objective** of the Programme is to improve the health status of Ethiopian population according to HSDP and in line with the health Millennium Development Goals.

The **Specific Objective** of the Programme is the increase of the coverage and the improvement of the quality of promotive, preventive, and curative health services and strengthening the financial capacity of the Federal Ministry of Health by contributing to the sector budget support via the MDG Fund in view of the attainment of the health Millennium Development Goals.

The Programme contributes to the MDG 4, Target 4A, MDG 5, Targets 5A and 5B and MDG 6, Targets 6A, 6B and 6C, adopted by the Universal Access Plan of the Government of Ethiopia.

### ARTICLE 3

#### FINANCIAL CONTRIBUTIONS BY THE PARTIES

In order to carry out the activities agreed between the Parties, the financing resources assigned to the Programme will be as follows:

By GOI:

The total financial contribution of the GOI for the Programme consists in a grant (hereinafter referred to as the "Grant") for the amount of Euro 7,000,000, financed under the Channel 1b option of the HSDP, for the MDG Fund as Sector Budget Support at MOH;

By GOE

The GOE shall ensure appropriate management of funds according to the MDG Fund Joint Financing Arrangement, in Annex A;

Moreover 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 shall be borne by GOE.

### 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 GOE side:

The MoFED, representing the GOE as counterpart of the GOI for this Agreement;

The Ministry of Health as the Executing Agency of the Programme at federal level for the Programme

The National Bank of Ethiopia (hereinafter referred as NBE) acting as administrator of the "Special Account" denominated "Ministry of Health MDG Pool Fund" in USD into which the signatory Development Partners shall transfer agreed funds;



2. For the GOI side:

The MAE/DGCS, representing the GOI for the Agreement and acting as Financing Agency of the Programme.

The MAE/DGCS is represented in Ethiopia by the Italian Embassy – Italian Cooperation Office (hereinafter referred to as UTL) which is locally responsible for the bilateral cooperation activities between Italy and Ethiopia.

The Parties having properly informed all the above-mentioned Institutions and Bodies will provide them with a copy of the present Agreement. The Parties will ensure that such Institutions and Bodies will fulfil, for what concerns to each of them, the obligations of the Agreement.

## ARTICLE 5

### GOVERNANCE OF THE PROGRAMME

The Programme shall operate within the regular framework of the HSDP. For what concerns governance of Programme, this will follow exactly the mechanisms agreed by all Development Partners in the Annex A of this Agreement. The MoH will act as Executing Agency for the Programme.

## ARTICLE 6

### CREDITING MODALITIES

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

1. **Bank Account.** The financial resources provided by the GOI for the Programme, under the present Agreement, will be transferred to the Special Account in the NBE denominated "Ministry of Health MDG Pool Fund".
2. **Instalments.** Upon entering into force of the present Agreement, MAE/DGCS will transfer the funds, in three instalments, according to the following scheme:

	Programme	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	Total	Channel	Remarks
1	Contribution to the MDG Fund	3,000,000	2,500,000	1,500,000	7,000,000	1b	Managed by MoH according to JFA
	<b>TOTALE</b>	<b>3,000,000</b>	<b>2,500,000</b>	<b>1,500,000</b>	<b>7,000,000</b>		

Channel 1b - EURO 7,000,000 for the MDG Fund as for the Sector Budget Support at Federal Level. This amount shall be directly transferred to the Special Account "Ministry of Health MDG Pool Fund" and will be managed by MoH using Government's procedures as for the "Joint Financing Arrangement" in annex A to this Agreement. This amount will be transferred in three annual instalment at the entering into force of this Agreement and according to the modalities as for the following sub-article 6.3 (Crediting procedures).

### 3. Crediting procedures

Crediting instalments to NBE Special Account (SA) "Ministry of Health MDG Pool Fund" under Channel 1b:

Upon entering into force of this Agreement, the following pre-conditions have to be fulfilled prior to the start up of the crediting procedure by MAE/DGCS:

- a) MoH shall have opened the SA and informed the UTL regarding the details of the Banks account;
- b) The MOH shall submit an instalment request to the MAE-DGCS through the Italian Embassy for the start up of the crediting procedures.

In compliance with the provisions of the Chapter 8.6 (Flow of funds) of the JFA, the crediting by MAE/DGCS to NBE of the instalments, shall take place after the transmission by the MOH to the contributing partners of the following documents regarding the MDG Fund:

- a) The annual audit report of the previous year prepared in compliance, of the provisions of the Chapter 12 of the JFA;
- b) The financial and activity report of the third quarter of the previous year;
- c) The annual Plan and the expenditure forecast agreed with the contributing partners of the current year.



## ARTICLE 7

### ACTIVITIES AND FINANCIAL REPORTS

For what concerns activities and financial reports under the Channel 1b funds (MDG Fund), refer to Annex A (Joint Financing Arrangement, Chapters 10, 11 and 12) of the present Agreement.

## ARTICLE 8

### AUDITING AND EVALUATION ACTIVITIES

For what concerns the auditing and evaluation activities of the Programme, those are described in the MDG Fund Joint Financing Arrangement, at the chapter 12, Annex A, of this Agreement.

## ARTICLE 9

### UTILIZATION OF THE GRANT

#### Reallocation of funds

Component 1, having only one budget line, is not subject to reallocation of funds.

#### Procurement procedures

The procurement procedures will be those of the GOE established for the management of the MDG fund provided in the Chapter 9 of the JFA.

#### Interests and savings

Any interest generated in the SA and/or savings shall be used for the same purposes and with the same procedures outlined in this Agreement.

## ARTICLE 10

### OBLIGATIONS FOR ETHIOPIA

1. MoFED shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.
2. MoH shall communicate to the UTL, upon the entry into force of the present Agreement, bank accounts details according to what described in article 6 of this Agreement.
3. MoFED shall make sure that all the Ethiopian bodies and institutions involved in the Project implementation will observe the provisions of this Agreement, in particular that financial, activity and audit reports, necessary for funds disbursements, shall be timely submitted to MAE/DGCS according to articles 6 and 7 of this Agreement.

## ARTICLE 11

### OBLIGATIONS FOR ITALY

1. GOI shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.
2. GOI shall accomplish 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 Programme implementation.
3. GOI shall report to MoFED about the funds disbursed for the Programme within the usual quarterly reporting of the Italian Development Cooperation initiatives in Ethiopia.

## ARTICLE 12

### SETTLEMENT OF DISPUTES

Any dispute between the Parties arising out of 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 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 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:

1. 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 MAE/DGCS authorises resumption of activities.
2. In case the duration of the impediment to the implementation of the Programme is greater than six months, the Project shall be suspended and the residual funds shall be maintained until the impediment finishes and MAE/DGCS authorises resumption of the Programme activities.

## ARTICLE 14

### PREVENTION OF CORRUPTION ABUSE AND ILLEGAL USE OF FUNDS

MoFED and MOH shall ensure that the funds provided by GOI under this Agreement will be used strictly in accordance with the provisions of this Agreement. MoFED and MOH commit themselves to take all reasonable measures to ensure an efficient administration of the aforementioned funds and prevent any corruption, abuse and illegal use thereof. In case of ascertained abuse or illegal use of the funds, the Parties will take swift legal action to stop, investigate and prosecute, in accordance with applicable law, any person suspected of misuse of resources. The Parties will promptly inform each other of any instance of corruption as referred to in the Chapter 14 of the JFA and of the measures taken.

## ARTICLE 15



### RESOLUTION OF THE AGREEMENT

1. MAE/DGCS reserves the right to resolve this Agreement in the following cases, due to severe fault by MoFED or MOH i.e.:
  - 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, MAE/DGCS shall notify the event in writing to MoFED and MOH, inviting them to take the measures necessary to solve the fault within maximum sixty days from the date of the notification. Passed this time limit, MAE/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, MAE/DGCS may decide unilaterally the termination of this Agreement notifying, through Verbal Note, MoFED with at least three months in advance. In all cases, after such notification, MoFED 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 Verbal Notes through diplomatic channels between the Parties. The amendment shall come into force on the date of the second Verbal Note through which the Parties inform each other upon the completion of the relevant internal procedures.
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THIS IS A TRUE PHOTOCOPY  
OF THE ORIGINAL DOCUMENT (Pages 11)

30 JAN 2014

LEMBURAN NEGARA

ARTICLE 17

ENTRY INTO FORCE, DURATION AND TERMINATION

1. This Agreement shall come into force on the date of the latest of the Verbal Notes through which the Parties inform each other upon the completion of the relevant internal procedures and shall remain in force until the complete use of the Grant.
2. 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.

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 27<sup>th</sup> Day of January..... 2014

FOR THE GOVERNMENT OF THE  
ITALIAN REPUBLIC

H.E. Lapo Pistelli  
*Deputy Minister for Foreign Affairs*



FOR THE GOVERNMENT OF THE  
FEDERAL DEMOCRATIC REPUBLIC  
OF ETHIOPIA

H.E. Ahmed Shide  
*State Minister of MoFED*

