



IMPLEMENTING AGREEMENT

BETWEEN

THE GOVERNMENT OF THE ITALIAN REPUBLIC

AND

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Regarding the Programme: **“Intervention to reduce geographical inequities in 4 Developing Regions in gender and nutrition components”**,

The Government of the Italian Republic (hereinafter referred to as the “GOI”) and the Government of the Federal Democratic Republic of Ethiopia (hereinafter referred to as the “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, increased productive capacity and efficiency to reach the economy’s productive possibility frontier through rapidly improving quality, productivity and competitiveness of productive sectors and promotion of gender and youth empowerment and equity are considered pillars of the national strategy against poverty;

WHEREAS the Italian and the Ethiopian Governments have signed, on September 15th 2017, the Ethio-Italian Cooperation Framework 2017-2019, mutually amended on 5th December 2018. 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”) have reached an understanding on the provision of funds in support of the Agricultural Modernization and Agro-Industrial Development, for the years 2017-2019, in alignment with the National Policies and Strategies;

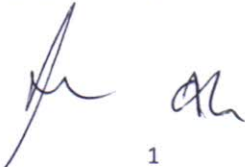
WHEREAS the Italian Agency for Development Cooperation (AICS) has been instituted by law 125/2014 as an autonomous agency, operational from January 1st 2016 and in charge of identification, formulation, implementation, financing and monitoring of development cooperation projects under the political guidance of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI);

WHEREAS on April 12th, 2019 the Ethiopian Federal Ministry of Health (hereinafter referred to as the “FMoH”) submitted to the consideration of the Italian Agency for Development Cooperation, Addis Ababa Office (hereinafter referred to as “AICS Addis Ababa”) a formal request for contribution to reduce geographical inequities in 4 Developing Regions in gender and nutrition component;

WHEREAS the Joint Development Cooperation Committee of the MAECI has approved the financing of the Programme **“Intervention to reduce geographical inequities in 4 Developing Regions in gender and nutrition component”** (hereinafter referred to as “the Programme”) on May 23rd, 2019;

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”):


1


AMBASCIATA D'ITALIA
Cancelleria Consolare
Addis Abeba

Visto: e' fotocopia conforme
all'originale

Addis Abeba, ~~2-8~~ MAR 2020
RAMEL HAYRI
CANCELLIERE AMMINISTRATIVO





Acronyms:

AICS: Italian Agency for Development Cooperation

DRS: Developing Regional States

FMoH: Ethiopian Federal Ministry of Health

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

IRR: Instalment Request Report

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

MoF: Ethiopian Ministry of Finance

NBE: National Bank of Ethiopia

PD: Project Document

PIC: Person in Charge

PMU: Project Management Unit

PoA: Plan of Action

RHB: Regional Health Bureau

SAR: Semi Annual Report

SC: Steering Committee

TAMU: Technical Assistance and Monitoring Unit

VAT: Value Added Tax

ARTICLE 1

SCOPE AND CONTENTS OF THE AGREEMENT

1.1 In compliance with Article 7 of the Development Cooperation Framework Agreement done at Addis Ababa on December 8th 2014, the present Agreement aims at:

- a. Establishing the mutual obligations of the Parties concerning the implementation of the Programme;
- b. Defining crediting, disbursement, procurement, monitoring, evaluation, control and reporting procedures.

1.2 This Agreement consists of the present Text, the Project Document (PD), which constitutes Annex A, and the Ethical clauses and general principles for procurement and execution of contracts, which constitute Annex B.

ARTICLE 2

PROGRAMME OBJECTIVES

2.2 The **Overall Objective** of the Programme is to reduce geographical inequities in gender and nutrition by strengthening the health system in Developing Regional States.

2.3 The **Specific Objective** of the Programme is to improve the health system in the DRSs by strengthening the capacity of human resources, improving the quality of health services delivery and engaging the community with special attention given to gender and nutrition component.

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

3.1 Contribution of the GOI

The total financial contribution of the GOI consists in a Grant up to a ceiling of **EURO 2,200,000** (two million and two hundred thousand EURO/00).

3.2 Contribution of the GOE

The GOE 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 the FMoH 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

The main Institutions and Bodies involved in the implementation of this Agreement are:

For the GOE:

- The **Ministry of Finance (MoF)**.
- The **Federal Ministry of Health (FMoH)**, representing the Institution responsible for the management of the funds and acting as the recipient Executing Agency at federal level.

- The **Regional Bureaus of Health (RHBs)**, acting as Delegated Executing Agencies for the Programme at regional level and responsible for the management of the Italian Grant, the implementation of the activities included in their PAs.
- The **National Bank of Ethiopia** (hereinafter referred to as "**NBE**"), acting as administrator of the two special accounts in Euro and Birr at the FMoH for the Programme.

For the GOI:

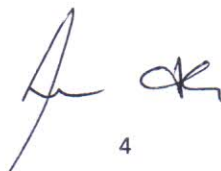
- The **Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (MAECI/DGCS)**.
- The **Italian Agency for Development Cooperation (AICS)**: Italian Public Institution in charge of identification, formulation, implementation, financing 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.

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

- 5.1 A **Steering Committee** (hereinafter referred to as "**SC**") composed by representatives of AICS (TAMU), the FMoH, the RHBs of Afar, Gambella, Somali and Benishangul-Gumuz shall be the highest level of the Programme governance acting as the decisional body and guarantor of the overall supervision. The working modalities of the PSC are described in Annex A.
- 5.2 The Programme shall operate in consultation and full cooperation with the zonal, woreda and kebele level structures and other government institutions to be involved in the Programme.
- 5.3 The execution of the Programme shall be under the responsibility of the FMoH. The FMoH shall appoint the Person in Charge, whose roles and responsibilities are defined in article 5.4 of this Agreement.
- 5.4 The **Person in Charge** (hereinafter referred to as "**PIC**") will be a person appointed by the FMoH. He/she will be responsible for the management of the Italian Grant and for the coordination of the Programme activities. The PIC will be supported by other RHBs staff. 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 PSC, shall also steer and coordinate the technical assistance provided to the Programme.
- 5.5 The **Technical Assistance and Monitoring Unit** (hereinafter referred to as "**TAMU**") shall be established at AICS Addis Ababa level to support the RHBs and the FMoH operations and the effective implementation of the Programme. 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 IE will work in regular consultation for the daily activities of the Programme.




ARTICLE 6

CREDITING MODALITIES OF THE ITALIAN FUNDS

The GOI will provide the financial resources indicated in the Article 3.

6.1 Bank Accounts:

- The financial resources provided by the Italian Party through the Grant under the present Agreement will be transferred to the "EURO Special Account" opened by the FMOH.

6.2 Instalments:

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

	I Instalment	II Instalment	Total
Grant component	1.500.000	700.000	2.200.000

Each instalment shall be disbursed according to the following crediting procedures.

6.3 Crediting procedures:

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

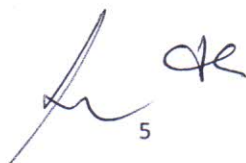
- a) The FMOH shall appoint the PIC and each RHB shall appoint a designated Focal Person for the management of the Italian funds and the implementation of the Programme activities;
- b) The FMOH shall inform AICS Addis Ababa regarding the details of the "EURO Special Account"; the FMOH shall submit a specific request for the crediting of the instalment to AICS Addis Ababa.
- c) A Plan of Action (PoA) shall be drawn up and approved by the Steering Committee. The document shall include a disbursement plan for the Grant components.

Pre-conditions for the disbursement of **the next instalment** are:

- a) 50% of the last instalment is spent and justified and 70% is committed;
- b) A revised Plan of Action is drawn up and approved by the Steering Committee;
- c) Submission of the audit reports concerning the use of the installments prepared in accordance with article 8. Such installment audit reports shall be approved by AICS;
- d) Submission of an Installment Request Report (hereinafter referred to as "IRR") as described in article 7.2.3 of this Agreement.

6.4 Taxes:

The Italian contribution, as detailed in article 3.2 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.



ACTIVITIES AND FINANCIAL REPORTS

7.1 GRANT

Within 60 days from the receipt of the Grant, the RHBs of Afar, Gambella, Somali and Benishangul-Gumuz with the support of the TAMU, shall prepare the annual Plan of Action (PoA) relative to the entire amount of funds or part of it. Each PoA shall be submitted to the PIC and approved by the Project Steering Committee.

7.2 Other activities and financial reports

7.2.1 The RHBs shall provide AICS Addis Ababa with financial / administrative and technical reporting every six months (Semi Annual Report - SAR) no later than 30 calendar days after the last day of every sixth months. Each report will analyse the utilization of the funds of the Programme including the procurement process concerning NCB tenders mentioned in art. 9.3. The TAMU will support the RHBs in drafting such reports.

7.2.2 The SAR shall include two sections:

- a. A technical section with a detailed description of the progress of the Programme activities, achievements against the work plan, challenges encountered, corrective measures adopted and lessons learnt. -
- b. A financial section with a detailed description of the utilization of funds. This section shall include: i) actual expenditures, supported by relevant bank statements, and commitment versus planned budget disaggregated by activity, ii) remaining balance, iii) information on procurement, iv) notes, explanations and supporting documents

The first of such reports shall cover the first six months of activity starting from the date on which the Italian 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 instalment request (except the first).

7.2.3 The IRR shall be used to request the planned instalments and follows the same structure as the SARs. In case the time of the submission of the IRR does not correspond to the time of the submission of the SAR, the IRR shall consolidate the previous SAR and include information on activities and finance of the next reporting period.

7.2.4 Day to day monitoring activities of the Programme shall be the responsibility of the FMoH and the RHBs in collaboration with all involved actors and shall be performed in accordance to the PD.

7.2.5 The PIC is responsible for maintaining an updated accounting system that contains records to ensure the accuracy and reliability of the Programme financial information and reporting. The accounting system shall also ensure that supporting documents (statements of expenditures, bidding documents, contract documents etc.) are properly identified and that approved/amended budgetary lines are not exceeded. The original documents shall be kept at the RHBs' offices. The accounting and/or record keeping system shall 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.



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 shall audit yearly the disbursements under the Programme, on basis of each Ethiopian Fiscal year.

The Audit will focus on both:

- Administrative and financial aspects: compliance with PD procedures (including procurement process, bidding document preparation, selection and awarding process);
- Technical aspects: compliance with technical clauses of the contracts, compliance and follow-up of the Programme's impact indicators.

Audit reports shall be made available no later than six (6) months after the last day of each fiscal year.

The final audit shall justify the use of 100% of the instalments. The audit will also certify the regularity of the 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



Budget revisions with respect to the Programme Budget in Euro, detailed in the PD, are allowed during the preparation of the PoAs. Requests for reallocations shall be submitted by the PIC to AICS Addis Ababa. These revisions do not require this Agreement to be amended.

9.2 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.

9.3 Procurement activities

Procurement activities will be performed by the RHBs, according to the budget allocations and following the existing World Bank's guidelines and procedures. They shall also comply with the Ethical clauses and general principles for procurement and execution of contracts as per Annex B.


7

Thresholds are:

	ICB thresholds	NCB thresholds
Services	More than 200,001 \$ per contract for firms More than 100,001 \$ for individual consultant	Less than 200,000 \$ per contract for firms Less than 100,000 \$ for individual consultant
Goods	More than 500,001 \$	Less than 500,000 \$
Works	More than 5,000,001 \$	Less than 5,000,000 \$

AICS holds the right to review the RHBs' 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 will perform an ex-post review of all procurement procedures on the basis of the latest semi-annual financial and technical reporting (see Article 7.2.2) and the annual audit report (see Article 8.1) presented by the RHBs precedent to the second disbursement subsequent to the first one.

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

- 10.1 The GOE, via the MoF shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.
- 10.2 The FMOH 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 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.
- 10.4 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.

ARTICLE 11

OBLIGATIONS OF THE ITALIAN PARTY

- 11.1 AICS shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.
- 11.2 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 of funds utilization and to the effectiveness of the Programme implementation.



8

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:

- a. 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.
- b. 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 FMOH and the RHBs of Afar, Somali, Gambella and Benishangul-Gumuz, shall ensure that the funds provided by the GOI under this Agreement will 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.

ARTICLE 15

RESOLUTION OF THE AGREEMENT

15.1 The GOI reserves the right to resolve this Agreement in the following cases:

- a. Unmotivated and prolonged delays in the use of the Italian funds such to threat the achievement of the Programme objectives.
- b. The use of the Italian funds for reasons different than those included in this Agreement and its Annexes.
- c. Severe mismanagement of the Italian funds.
- d. In the event of failure to implement, or to report on, the Programme 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.

15.2 In the above cases, the GOI, via MAECI/DGCS, shall notify the event in writing to the GOE via the MoF, inviting it to take the measures necessary to solve the fault within maximum sixty days from the date of the notification. Expired this time limit, the GOI reserves 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 the MoF of its intention with a three-month prior notice. In all cases, after such notification, the MoF shall stop all activities of the Programme, unless otherwise agreed upon 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

17.1 This Agreement shall enter into force on the date of signature, and shall remain in force until the completion of the Programme.

17.2 The Final Project Report (in line with article 7) shall be submitted to the Italian Party no later than 45 calendar days after the end of the Programme activities.

17.3 Either Party may terminate this Agreement by notifying the other of its intention with a three-month prior notice, through diplomatic channels. 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 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.

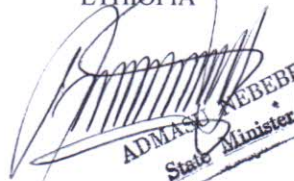
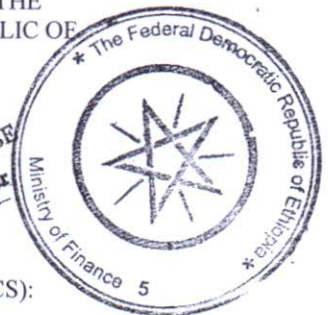
In witness whereof the undersigned, duly authorized by their respective Governments, have signed this Agreement.

Done at Addis Ababa 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
FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA


ADMASU NEBEBE
State Minister

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 contract