

AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF ITALY

AND

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

For the implementation of the Programme:

“Italian Support to Health System Strengthening in Oromia and Tigray Regions”

The Government of the Republic of Italy (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 3,500,000 Euro in grant will be allocated to the Health Information System development;

WHEREAS

throughout appraisal activities jointly carried out in June to September 2014 by the experts of the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs (hereinafter referred to as "MAECI/DGCS") and by the Federal Ministry of Health, the initiative named "Italian Support to Health System Strengthening in Oromia and Tigray Regions" (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 on 19 September 2014;

WHEREAS

the Board of the Italian Development Cooperation has approved the financing of the Programme on November 11, 2014.

The Parties hereby agree as follows:

ARTICLE 1

SCOPE AND CONTENTS OF THE AGREEMENT

1. The present Agreement is aimed at:
 - establishing the mutual obligations of the Parties concerning the implementation of the Programme;
 - defining crediting, disbursement, procurement, monitoring, evaluation and reporting procedures.
2. This Agreement consists of the present text, the Project Implementation Document (PID) hereto attached in Annex A, and the "Eligibility criteria, ethic clauses and contract general principles" document hereto attached in Annex B.



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 to increase the coverage and improve the quality of preventive and curative health services by the strengthening of the capacity of generating and using the information (HMIS) and the development of human resources of health sector (HRD).

The Programme contributes to the MDG 4, Target 4A, MDG 5, Targets 5A and 5B 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 3,500,000. The Grant shall be financed under the Channel 2 option of the HSDP;

By GOE:

The GOE shall ensure appropriate management of funds.

The funds financed under the Channel 2 option of the HSDP provided by GOI, are meant to complement the funds already provided by MOH, RHBs of Oromia and Tigray respectively. Thus, the GOE shall ensure that the MOH, Regional Health Bureaus of Oromia and Tigray provide regular human, financial and logistic resources necessary for the execution of the Programme activities.

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 Regional Health Bureaus (hereinafter referred to as RHBs) of Oromia and Tigray which act as delegated Executing Agencies for the Programme at regional level;

The National Bank of Ethiopia (hereinafter referred as NBE) acting as administrator of the "Special Account" denominated "Ministry of Health Italian support to HSS" in Euro currency into which the GOI shall transfer agreed funds;

The Regional Commercial Banks (hereinafter referred as RCB), acting as administrators of the Regional Special Accounts in Ethiopian Birr opened by the concerned Regional Health Bureaus upon MOH's request.

2. For the GOI side:

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

The MAECI/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. The MoH will act as Executing Agency for the Programme. The essential elements of the governance of the Programme, are as follows:

1. The **TAMU**. In order to facilitate an effective implementation of the Programme, a Technical Assistance, and Monitoring Unit (hereinafter referred to as TAMU) shall be established in support of the MOH's and RHBs' operations. Among other activities, the TAMU will support the MOH and the RHBs in research and studies' activities. The TAMU will be staffed with Italian experts designated by MAECI/DGCS, in agreement with the MoH, local experts and support personnel, constituting the TAMU's Team. The TAMU shall be located outside the MoH facilities and the relevant equipment and running costs, office rent and personnel salaries, shall be financed by GOI via Channel 3 option of HSDP.
2. The **PIC**. The MoH shall designate the Person in Charge (hereinafter referred to as the PIC) of the management of the funds of the Grant provided under the present agreement. The PIC will be the direct counterpart of the TAMU's Italian Expert (hereinafter referred to as the "IE") and will be supported by TAMU's Team. Concerning the day-by-day management of activities financed under the grant, the PIC will act in regular consultation and agreement with the IE.
3. The **MOH**. The MoH will act as Executing Agency for the Programme.
4. The **RHBs**. The RHBs of Oromia and Tigray will act as Sub-executing Agencies and will carry out the activities to be implemented at local level with the support of the TAMU.
5. The **Steering Committee**. The Steering Committee (hereinafter referred to as "SC") will be the guarantor of the governance of the Programme and the relevant decision making body. It will be constituted by 6 members representing MoFED, MOH, UTL, RHBs of Oromia and Tigray, and TAMU. All the decisions of the SC must be unanimously taken. SC meets whenever necessary, under request of one of its members or at any time decisions are required.

The Programme Implementation Schedule shall be detailed within the relevant PoAs.



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 Italian support to HSS".
2. **Instalment.** Upon entering into force of the present Agreement, MAECI/DGCS will transfer the funds, in one single instalment, according to the following scheme:

| | COMPONENT 1 | EURO |
|----|--|------------------|
| a) | Procurement of drugs and health equipment by central Ministry of Health for the Oromia and Tigray RHBs | 875.000 |
| b) | Financing Tigray Regional Health Bureau for Health System Strengthening (HRD, Drugs management, HMIS development) | 875.000 |
| c) | Financing Oromia Regional Health Bureau for Health System Strengthening (HRD, Drugs management, HMIS development) | 1.750.000 |
| | Total Component 1 | 3.500.000 |

3. Crediting procedures

Crediting NBE of the Grant under Channel 2.

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 MAECI/DGCS of the Grant:

- a) MoH and RHBs shall have opened respectively the SAs and the RCB accounts and informed the UTL regarding the details of the Banks accounts;
- b) MoH shall have nominated the PIC;
- c) The MOH shall submit an instalment request to the MAECI/DGCS through the Italian Embassy for the start up of the crediting procedures.





ARTICLE 7
ACTIVITIES AND FINANCIAL REPORTS

For what concerns activities and financial reports under the Channel 2 funds:

1. The Plan(s) of Action – Within 30 days from the receipt of the funds under Channel 2, MOH and RHBs, with the technical support of the TAMU, will prepare the first Plan of Action (hereinafter referred to as “POA”) relative to the entire amount of funds or to part of it. Each POA shall be submitted to the PIC for endorsement and subsequently approved by the Steering Committee and by MAECI/DGCS.
2. Every six months, Semi Annual technical and financial Reports (hereinafter referred to as “SAR”, shall be prepared by the RHBs and MOH. The reports will be endorsed by the PIC, and subsequently transmitted to the Steering Committee and to MAECI/DGCS for approval. The UTL can add to the SARs its own comments.
3. The SARs shall include two sections reporting the description of the activities carried out (first section) and the relevant financial, administrative, procurement information (second section).
4. Day-by-day monitoring activities of the Programme will be responsibility of the RHBs and the PIC, assisted by TAMU.
5. The PIC is responsible for maintaining an updated accounting system that contains records and controls 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 the respective MOH and RHBs offices and will be made available to the MAECI/DGCS upon request. The accounting system and/or record keeping must track the advances received by the Programme and the expenditure records. Financial reports, statement of the executed expenses and contracts shall be presented to SC whenever required.

ARTICLE 8
AUDITING AND EVALUATION ACTIVITIES

Parties will have the right to perform, at their own expenses, all the evaluation, control and activities that shall be deemed necessary. Joint (ongoing, final and ex-post) evaluation activities can be organized by MAECI/DGCS through its UTL office and MOH whenever deemed appropriate. Audit activities shall be performed by the Federal Auditor General.

ARTICLE 9
UTILIZATION OF THE GRANT

Reallocation of funds

1. Budget lines reallocations in respect to the Programme budget in Euro, detailed in Article 6 of the Agreement, are allowed during the preparation of each PoA and within the limits and subject to the conditions established in the following articles. Requests for reallocations will be submitted by the PIC to the TAMU for no-objection advice according to the following conditions:
 - a) Budget lines reallocations, up to a maximum of +/- 20% of the original agreed amount of each budget line within the budget of PoA, are allowed and do not require this Agreement to be amended. The TAMU is allowed to approve reallocations which do not require this Agreement to be amended according to the conditions in the present Article 9.
 - b) Budget lines reallocations exceeding the +/- 20% of the original budget line amounts of the PoA and within the total PoA budget shall be submitted, through UTL, to MAECI/DGCS in Rome for prior written approval. Budget reallocations approved by MAECI/DGCS do not require this Agreement to be amended.
 - c) All Budget line reallocation shall be carefully reflected in the Project Reporting documents mentioned in the Article 7 hereto.

Procurement procedures



In line with the Ethiopia IHP Country Compact and the HSDP Health Harmonization Manual, the MoH utilizes GoE channels and procedures for Procurement under HSDP. Those procedures are in-line with those of the World Bank.

For the present Grant, it is foreseen only local procurement of goods and services. Health commodities will be furnished by Pharmaceutical Fund and Supply Agency (PFSA). The Programme will purchase health commodities by PFSA at official prices.

For the reporting, the UTL and TAMU hold the right to review procurement documents.

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 Programme implementation will observe the provisions of this Agreement, in particular that financial, activity and audit reports, shall be timely submitted to MAECI/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 MAECI/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 MAECI/DGCS authorises resumption of the Programme activities.

ARTICLE 14
PREVENTION OF CORRUPTION ABUSE AND ILLEGAL USE OF FUNDS



MoFED, MOH and RHBs 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 and of the measures taken.



ARTICLE 15
RESOLUTION OF THE AGREEMENT

1. MAECI/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 or its amendments.
 - c) Severe mismanagement of the funds.
 - d) In the event of failure to implement, or to report on, the program in a manner consistent with the terms of this Agreement.
 - e) In case of impediment or force majeure as per article 13 of this Agreement.
2. In case of the above mentioned severe fault, MAECI/DGCS shall notify the event in writing to 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, MAECI/DGCS reserves itself the right to terminate immediately this Agreement. In this case the provisions contained in article 12 of this Agreement shall apply.
3. In the cases mentioned above, MAECI/DGCS may decide unilaterally the termination of this Agreement notifying, 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 constitutes 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 at any time by means of exchange of Verbal Notes 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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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.

This Agreement shall apply in full respect of the rules and regulations implemented in the two States, as well as the international obligations to which the two States have mutually adhered, and those deriving from Italy's membership to the European Union.

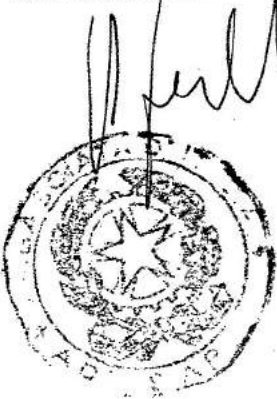
In witness whereof the undersigned, being duly authorized by their respective Governments, have signed and sealed this Agreement in the English language in duplicate, both texts being equally authentic.

Done at *Addis Ababa* on this *15* Day of *January* 2015

FOR THE GOVERNMENT OF THE
ITALIAN REPUBLIC

H.E. Paolo Gentiloni
Minister

Ministry of Foreign Affairs
and International Cooperation



FOR THE GOVERNMENT OF THE
FEDERAL DEMOCRATIC REPUBLIC OF
ETHIOPIA

H.E. Sufian Ahmed
Minister

Ministry of Finance
and Economic Development

