



AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF ITALY

AND

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA

For the implementation of the project: **“WASH IN SMALL AND MEDIUM TOWNS”**

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 in the framework of the Plan for Accelerated and Sustained Development to End Poverty Programme (hereinafter referred to as “PASDEP”) of the Ethiopian Government, currently under implementation with the support of the Donor Community and the Italian Government, the Water Supply, Sanitation and Hygiene Services (hereinafter referred to as “WASH”) sector is considered a pillar of the national strategy against poverty;

WHEREAS the policy of the GOE for the WASH sector is detailed in the Universal Access Program for Water Supply and Sanitation Services, 2006-2012 (hereinafter referred to as “UAP”), approved by the Ethiopian Parliament in August 2005. GOE and sector Development Partners are jointly committed to accomplish UAP mandate through a National WASH Programme, which aims at harmonizing different approaches and modalities into a common operational framework.

WHEREAS in March 2006, the Ministries of Water Resources (hereinafter referred to as “MoWR”), Health (hereinafter referred to as “MoH”) and Education (hereinafter referred to as “MoE”) of the Government of Ethiopia signed the Memorandum of Understanding on Water, Sanitation and Hygiene (hereinafter referred to as “WASH MoU”) to coordinate the efforts and start joint operations for planning, implementation and monitoring of water supply, sanitation and hygiene in communities, schools and health institutions;

- WHEREAS the Ethiopian and the Italian Governments have signed, on the 21st of April 2009, the Ethio-Italian Cooperation Framework 2009-2011. In this context, the Ministry of Finance and Economic Development of Ethiopia (hereinafter referred to as "MoFED") and the Italian Ministry of Foreign Affairs (hereinafter referred to as "MAE") have agreed on the provision of funds in support of the WASH sector, for years 2009-2011, with the modalities of the National WASH Programme.
- WHEREAS in April 2009 the Ministry of Water Resources submitted for the consideration of the Italian Development Cooperation/Local Technical Unit in Addis Ababa (hereinafter referred to as "IDC/UTL") a concept note on "Small and Medium Towns Water Supply and Sanitation Programme", where priorities and relevant criteria for selection were set up and a list of localities proposed for the fund.
- WHEREAS throughout appraisal activities jointly carried out in June 2009 by experts of the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs (hereinafter referred to as "MAE/DGCS") and of the WRDF (hereinafter referred to as "WRDF"), the Programme Appraisal Document (hereinafter referred to as PAD) for the initiative named "WASH in Small and Medium Towns" (hereinafter referred to as the "Project") has been prepared, endorsed by MoFED and on 13.10.2009 sent to the Embassy of Italy in Addis Ababa with a request of financing;
- WHEREAS the Board of the Italian Development Cooperation has approved the financing of the Project "WASH in Small and Medium Towns" on 15.03.2010

The Parties hereby agree as follows:

ARTICLE 1

SCOPE AND CONTENTS OF THE AGREEMENT

- 1.1 The present Agreement is aimed at:
- Establishing the mutual obligations of the Parties concerning the implementation of the Project;
 - Defining crediting, disbursement, procurement, monitoring, evaluation, control and reporting procedures.
- 1.2 This Agreement consists of the present Text, the Programme 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

PROJECT OBJECTIVES

- 1 The **Overall Objective** of the Project is to improve health and hygienic conditions of the population by enforcing the National WaSH Programme and by acting through the strategic national plan for the access to water, sanitation and hygiene (Millennium Development Goal - MDG n.7 target n.2), adopted by the Universal Access Plan of the Government of Ethiopia.
- 2.2 The **Specific Objective** of the Project is to improve access to clean water and sanitation services in at least 5 towns, through increasing water resources, rehabilitating, constructing, expanding water networks, upgrading public sanitation infrastructures, setting up capacity of Town Water Utilities (hereinafter referred to as "TWUs") in planning, managing, operation and maintenance and of WRDF in managing loans.

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

- 3.1 **Contribution of GOI** - The total financial contribution of the GOI consists in a grant (hereinafter referred to as "Grant") up to a ceiling of **EURO 6,150,000** (six millions one hundred fifty thousand EURO/00), divided as follows:

Component A - EURO 5,500,000 for the physical implementation of the WASH projects for the selected 5 towns. This amount shall be directly transferred to the MoFED, as representative of the GOE, and then transferred and managed by the WRDF, which is the recipient executing agency. This financing modality is named "channel 1b" according to the modalities agreed by GOE with Development Partners.

Component B - EURO 650,000 for technical assistance activities related to the execution of the Project in accordance with the provisions of this Agreement. This amount is to be directly managed by MAE/DGCS according to its internal procedures. This financing modality is named "channel 3" according to the according to the modalities agreed by GOE with Development Partners.

- 3.2 **Contribution of GOE** – The GOE shall ensure that Regional Governments, Town Administrations and, where appropriate, Town Water Utilities share the costs of the Programme as reported in the budget, chapter 3.3 of the PID, estimated at the time of the appraisal in about **59,300,000 Birr** (equivalent to approximately **3,707,000 Euro** considering the official exchange rate of July 2009). The exact amount will be confirmed within the yearly Operational Plans according to the provisions of article 5.7 of this Agreement. Moreover an estimated amount of **18,528,921.59 Birr** is also expected to be borne by the GOE for VAT and any other taxes, which cannot be covered by the Italian funds.

