IMPLEMENTING AGREEMENT

BETWEEN

THE

THE GOVERNMENT OF ITALIAN REPUBLIC

AND

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Regarding the Programme:

"Italian contribution to the Sustainable Development Goals Performance Fund (SDG PF)"

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, the Health sector is considered a pillar of the national strategy against poverty;

WHEREAS Italy, together with Ethiopia and other partners, is engaged in the framework of the Global Campaign for the achievement of the Sustainable 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 to increase the aid effectiveness in the health sector;

WHEREAS the Italian and the Ethiopian Governments have signed, on September 15th 2017, the Ethio-Italian Cooperation Framework 2017-2019. In this regard, the Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and the International Cooperation (hereinafter referred to as "MAECI/DGCS") and the Ethiopian Ministry of Finance and Economic Cooperation, currently Ministry of Finance (hereinafter referred to as the "MOF") have reached an understanding on the provision of funds in support of the Ethiopian health sector for the years 2017-2019 ;

WHEREAS The Italian Agency for Development Cooperation (AICS) has been instituted by law 125/2014 as an autonomous agency, operational from 1 January 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 In January 2019 the Federal Ministry of Health (hereinafter referred to as the "FMoH) submitted to the consideration of the Italian Agency for Development and Cooperation, Addis Ababa Office (hereinafter referred to as "AICS Addis Ababa") a formal request for contribution to the revolving fund managed by the FMoH for the implementation of the Health Sector Transformation Plan (hereinafter referred to as "HSTP");

RECALLING the Development Cooperation Framework Agreement between the Government of the Italian Republic and the Government of the Federal Democratic Republic of Ethiopia, done at Addis Ababa on December 8th, 2014;

have decided to enter into the following Implementing Agreement (hereinafter referred to as "Agreement"):

Acronyms:

AICS: Italian Agency for Development Cooperation

CDP: Cassa Depositi e Prestiti

GOE: the Government of the Federal Democratic Republic of Ethiopia

GOI: the Government of the Italian Republic

GTP: Growth and Transformation Plan

ICB: International Competitive Bidding

IE: Italian Expert

IRR: Instalment Request Report

JFA: Joint Financing Agreement

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

MoF: Ethiopian Ministry of Finance

FMoH: Ethiopian Federal Ministry of Health

NBE: National Bank of Ethiopia

NCB: National Competitive Bidding

PIC: Person in charge

RHB: Ethiopian Regional Health Bureau

SAR: Semi Annual Report

SC Steering Committee

TA Technical Assistance

TAMU: Technical Assistance and Monitoring Unit

ARTICLE 1

SCOPE AND CONTENTS OF THE AGREEMENT

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:

   - Establishing the mutual obligations of the Parties concerning the implementation of the Programme;

   - Defining crediting, disbursement, procurement, monitoring, evaluation, control and reporting procedures.

2. This Agreement consists of the present Text, the "Joint Financing Arrangement between the Federal Democratic Republic of Ethiopia and Development Partners on support of the Sustainable Development Goals Performance Fund", signed on the 15th July 2015 (hereinafter referred as "JFA") which constitutes Annex A and the Disbursement-Linked Indicators (DLIs) document, which constitutes Annex B.

ARTICLE 2

PROGRAMME OBJECTIVES

The **Overall Objective** of the Programme is the improvement of the health status of the Ethiopian population according to the HSTP and in line with the health Sustainable Development Goals.

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

ARTICLE 3

FINANCIAL CONTRIBUTION OF THE PARTIES

3.1 Contribution of the GOI

The total financial contribution of the GOI consists in a Loan and Grant up to a ceiling of **EURO 10,000,000** (ten millions EURO/00), divided as follows:

LOAN EURO 8,000,000 (hereinafter referred to as the "Loan") for the implementation of the HSTP in the 4 Emerging Regions, named Afar, Benishangul-Gumuz, Gambella and Somali (hereinafter referred to as "4ER"). This amount shall be directly transferred to the FMoH, which is the recipient executing agency. This amount will be part of the Sustainable Development Goal Performance Fund (hereinafter referred to as "SDG PF").

The financial conditions are the following:
- Annual interest rate: 0,5 %;
- Repayment: 30 years of which 12 of grace period, in equal deferred instalments.

GRANT EURO 2,000,000 (hereinafter referred to as the "Grant") for the implementation of the HSTP overall the Country. This amount shall be directly transferred to the FMoH, which is the recipient executing agency. This amount will be part of the SDG PF.

3.2 Contribution of the GOE

The GOE via the MoF shall ensure appropriate management of the funds according to the JFA.
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 the 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:

For the GOE:

- The **Ministry of Finance (MoF),** signatory of the subsidiary financing agreement with Cassa Depositi e Prestiti S.p.A;
- The **Ministry of Health (MoH),** representing the Executing Agency of the Programme at federal level;
- -The **National Bank of Ethiopia** (hereinafter referred to as "**NBE**"), acting as administrator of the Special Account denominated "Ministry of Health SDG Performance Fund" in USD into which the Development Partners shall transfer the agreed funds;

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.
  - The **AICS Addis Ababa Office** representing AICS in Ethiopia for the implementation of this Agreement. It is responsible for the supervision of the bilateral cooperation activities.
  - **Cassa Depositi e Prestiti S.p.A.** (hereinafter referred to as "CDP"), the Italian Cassa Depositi e Prestiti, signatory of the subsidiary financing agreement with the MoF.

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 the obligations of the Agreement, insofar as it falls within their respective competences.

ARTICLE 5

GOVERNANCE OF THE PROGRAMME

1. The Programme shall operate within the regular framework of the HSTP and shall follow the JFA modalities for what concerns its governance, i.e. the mechanism agreed by all Development Partners, which constitute the Annex A of this Agreement. The MOH will act as Executing Agency for the Programme.

ARTICLE 6

CREDITING MODALITIES OF THE ITALIAN FUNDS

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

6.1 Bank Accounts

The financial resources provided by the GOI for the Programme through the Loan and the Grant, under the present Agreement, will be transferred to the Special Account at the NBE denominated "Ministry of Health SDG

Performance Fund".

6.2 **Instalments**

LOAN

After the entry into force of this Agreement as well as of the Financing Agreement between the MoF and CDP, the Italian funds related to the Loan will be transferred in two instalments:

Programme	I Instalment	II Instalment	Total	Channel	Remarks
Contribution to SDG PF	**5.000.000**	**3.000.000**	**8.000.000**	**1b**	**Managed by the FMoH in accordance with the JFA**

Channel 1b - 8 M Euro for the SDG PF as for the Sector Budget Support at Federal Level.

This amount shall be directly transferred to the Special Account "Ministry of Health SDG Performance Fund" and will be managed by the FMoH in accordance with the procedures set out in the "Joint Financing Arrangement", which constitutes Annex A to this Agreement. This amount will be transferred in two annual instalments after the entry into force of this Agreement as well as the Financial Agreement and according to the modalities as for the following sub-article 6.3 (Crediting procedures).

GRANT

After the entry into force of the present Agreement, AICS will transfer the grant funds, in one instalment:

Programme	Instalment	Total	Channel	Remarks
Contribution to SDG PF	**2.000.000**	**2.000.000**	**1b**	**Managed by the FMoH ~~according to~~ in accordance with the JFA**

Channel 1b- 2 M Euro for the SDG PF as for the Sector Budget Support at Federal Level.

This amount shall be directly transferred to the Special Account "Ministry of Health SDG Performance Fund" and will be managed by the FMoH in accordance with the procedures set out in the "Joint Financing Arrangement" (Annex A). This amount will be transferred in one annual instalment after the entry into force of this Agreement and according to the modalities as for the following sub-article 6.3 (Crediting procedures).

6.3 **Crediting procedures**

LOAN

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

a) The MoF shall inform AICS Addis Ababa regarding the details of the Special Account at the NBE denominated "Ministry of Health SDG Performance Fund";
b) The FMoH shall submit a specific request for the crediting of the first instalment to AICS Addis Ababa;

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

a) Fulfilment of the triggers according to the Article 9.5 of the JFA;
b) Fulfilment of the DLIs (Annex B).

AICS Addis Ababa will verify the fulfilment of these conditions and will communicate it to CDP.

GRANT

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

a) The FMoH shall inform AICS Addis Ababa regarding the details of the Special Bank Account;

b) The FMoH shall submit an instalment request to AICS Addis Ababa for the crediting ;
c) Fulfilment of the triggers according to the Article 9.5 of the JFA.

6.4 **Taxes**

The Italian contribution, as detailed in article 3.1 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 Programmes activities, they will be covered by the GOE (see article 3.2 of this Agreement).

ARTICLE 7

ACTIVITIES AND FINANCIAL REPORTS

For what concerns activities and financial reports, Chapter 11, 12 and 13 of the Joint Financing Arrangement (Annex A) shall apply.

The AICS Addis Ababa is responsible for maintaining an updated DLIs' progress as well as for the accuracy and reliability of Programme financial information and reporting.

When requesting the second instalment of the loan, the FMoH shall provide an Instalment Request Report where it will declare the fulfillment of the preconditions for the crediting of the instalment as per article 6.

ARTICLE 8

EXTERNAL AUDITING AND MONITORING & EVALUATION ACTIVITIES

The auditing and evaluation activities of the Programme are described in the Chapter 13 of Joint Financing Arrangement (Annex A).

ARTICLE 9

USE OF THE ITALIAN FUNDS

In case of the unsatisfactory fulfilment of the DLIs, the Italian funds allocated for the second instalment of the loan will not be credited.

Reallocation of funds (LOAN AND GRANT)

The Italian funds (Loan and Grant) may not be reallocated to other Programmes.

Procurement activities

The procurement procedures will be those of the GOE established for the management of the SDG PF provided in the Chapter 10 of the JFA. The GOE shall ensure the respect of the fundamental principles of the public procurement in terms of transparency, integrity, economy, openness, fairness, competition and accountability.

Interest 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 OF THE ETHIOPIAN PARTY

1. The MoF shall ensure that the Italian funds are properly and timely accounted within the budget for the due fiscal year.

2. The FMoH shall communicate to AICS Addis Ababa, after the entry into force of the present Agreement, bank accounts details according to what described in article 6 of this Agreement.

3. 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 the triggers (for grant and loan) and the DLIs (for loan) will be met and reached and the financial and activities reports, necessary for the funds disbursements will be timely submitted to AICS according to articles 6 and 7 of this Agreement.

ARTICLE 11

OBLIGATIONS OF THE ITALIAN PARTY

1. AICS/CDP shall disburse the total amount agreed according to the procedures described in article 6 of this Agreement.

2. AICS Addis Ababa 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 the funds utilization and to the effectiveness of the Programme implementation.

ARTICLE 12

SETTLEMENT OF DISPUTES

Any dispute arising out of the interpretation or 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:

- 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.

- 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.

- In case the impediment to the implementation of the Programme is greater than twelve months, the Parties shall discuss about the continuation of the Programme and define an agreed course of actions.

ARTICLE 14

PREVENTION OF ABUSE AND ILLEGAL USE OF FUNDS

The GOE via the MoF and the FMoH shall ensure that the funds provided by the GOI under this Agreement will be used strictly in accordance with the provisions of this Agreement. The GOE commits itself to take all reasonable measures to ensure an efficient administration of the Italian funds and prevent any 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 15 of the JFA and of the measures taken.

ARTICLE 15

RESOLUTION OF THE AGREEMENT

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

   - Unmotivated and prolonged delays in the use of the funds such to threat the achievement of Programme objectives.
   - The use of the funds for reasons different from those included in this Agreement and its Annexes
   - Severe mismanagement of the funds.
   - In the event of failure to implement, or to report on the Programme in a manner consistent with the terms of this Agreement.

2. In the above-mentioned cases, the GOI via MAECI/DGCS shall notify the GOE via MoF of the event, inviting it to take the measures necessary to solve the fault within maximum sixty days from the date of the notification. Passed this time limit, the GOI reserves itself the right to terminate immediately this Agreement. Funds not credited and/or committed at the date of termination of the present Agreement shall be returned to the GOI.

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

1. This Agreement shall enter into force on the date of signature and shall remain in force until the complete reimbursement of the Loan or the completion of the Programme, whichever of these events comes later.

2. The Agreement may be terminated by either Party by giving the other a 3-month prior notice. Funds not credited and/or committed at the date of termination of the present Agreement 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: Joint Financing Agreement
Annex B: DLIs for the disbursement of the 2nd tranche of the soft loan component