

**AGREEMENT
BETWEEN
THE MINISTRY FOR FOREIGN AFFAIRS OF FINLAND
AND
THE SOUTHERN NATIONS, NATIONALITIES AND PEOPLES REGIONAL STATE, REPRESENTED
BY THE BUREAU OF FINANCE AND ECONOMIC DEVELOPMENT OF THE SOUTHERN NATIONS,
NATIONALITIES AND PEOPLES REGIONAL STATE**

**For the implementation of Support to Community-Led Accelerated WaSH Phase III (2016-2019) in
Southern Nations, Nationalities & Peoples Region**

The Government of the Federal Republic of Ethiopia and the Government of the Republic of Finland signed an intergovernmental Agreement on May 13th 2016 and amended the Agreement on July 19/2016 on the Co-operation in Support to Community-Led Accelerated WASH in Ethiopia, Phase III 2016-2019 (hereinafter "COWASH III"). Accordingly, this financial agreement (hereinafter, "Agreement") is made between the Ministry for Foreign Affairs of Finland and the Southern Nations, Nationalities & Peoples Regional State, represented by the Bureau of Finance and Economic Development (BoFED) of the Southern Nations, Nationalities & Peoples Regional State (SNNPR) (hereinafter "the Parties") for the implementation of COWASH III in SNNP Region. The activity period of this Agreement will be from the 1st of August 2016 to the 31st of July 2019.

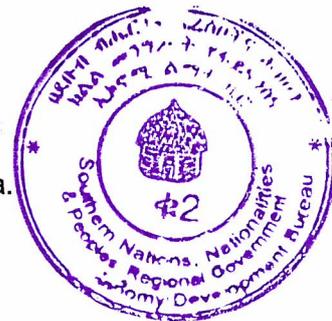
The purpose of this Agreement is to define in detail the administrative and financial fund flow mechanisms for implementing COWASH III activities in SNNP region in accordance with the Project Document attached as Annex 2 to this Agreement. In case of contradiction between the provisions of this Agreement and the Intergovernmental Agreement, the provisions of the Intergovernmental Agreement shall prevail. The validity of this Agreement is dependent on the validity of the Intergovernmental Agreement. The Ministry of Finance and Economic Cooperation of Ethiopia, as the Competent Authority in matters relating to the Intergovernmental Agreement signs this agreement as a sign of acceptance.

SECTION I: PARTIES

- 1) The Ministry for Foreign Affairs of Finland (hereinafter Finland/the Ministry).

Attention: The person designated by the Ministry to be in charge of the Project
Address: Ministry for Foreign Affairs of Finland, Unit for Eastern and Western Africa,
00023 Government of Finland
Tel: + 358 295 350 000
Fax: + 358 9 629 840
Email: ALI-20@formin.fi

Represented in Ethiopia by the Embassy of Finland in Addis Ababa.



2) The Southern Nations, Nationalities & Peoples Regional State represented by the Bureau of Finance and Economic Development (hereinafter "BoFED")

Attention: Mr. Haileberhan Zena, Head of BoFED,

Address: Hawassa, Ethiopia

Tel: +251 (0) 462 209740 (0) 916 581747

Fax: +251 (0) 462 201728

Email: haileberhan_zena@yahoo.com

Account: SNNPR BOFED COWASH Program at Commercial Bank of Ethiopia; Hawassa Branch

Account Number: 1000013653953

SECTION II: BACKGROUND

Support to Community-Led Accelerated WASH in Ethiopia, Phase III, is financed by the Governments of Finland and Ethiopia. Based on the promising results of the Community Development Fund (CDF) in Amhara and Benishangul-Gumuz, the Governments of Ethiopia and Finland - in consultation with sectoral stakeholders - initiated the planning of a new Project for mainstreaming the CDF into a national model, and further strengthening and scaling up the CDF-based implementation. Renamed CMP (Community-Managed Project) approach in the updated WASH Implementation Framework (WIF) of the Government of Ethiopia, the new Project, COWASH, supports its rolling out in all the regions where its application is possible, including SNNPR. The support to COWASH is conditional to the regions' own contributions to CMP implementation, or other sources of financing obtained by the regions.

SECTION III: PROJECT OBJECTIVES

1. The overall objective of the project is to contribute to achieving Ethiopia's Growth and Transformation Plan II (July 2015-June 2020) targets for the WASH sectors in terms of water, sanitation and hygiene access coverage and quality of service delivery in selected rural areas by using CMP approach. The objective of the project in the SNNP Region is accelerated implementation of the Universal Access Plan (UAP) through the adoption and application of the CMP projects in SNNP Region.

2. The outcomes of the Project include increased community and institutional water coverage, increased community and institutional sanitation and hygiene coverage and usage, increased functionality and sustainability of built WASH facilities through improved service delivery and women's empowerment through WASH related activities.

SECTION IV: FINANCIAL CONTRIBUTION

1. As agreed in the Intergovernmental Agreement, the total contribution of Finland for the implementation of Support to Community-Led Accelerated WASH (COWASH) Phase III Project in



Ethiopia in 2016-2019 shall, on a grant basis and subject to annual parliamentary approval in Finland, be a maximum of eleven million Euros (€ 11, 000, 000) plus the remaining fund from COWASH Phase II in the amount of one million seven hundred four thousand, nine hundred twenty seven Euros and fourteen cents (€ 1,704,927.14).

2. The total budget for COWASH Phase III to be implemented in the SNNP Region is estimated at three million four hundred fifty nine thousand seven hundred and ten Euros (€ 3,459,710) including the contributions of SNNPR and Finland.

3. Contribution of SNNPR- The SNNPR's financial contribution (investment fund and operational costs) for the implementation of COWASH Phase III in the SNNP Region is forty nine million six hundred thousand Birr (49,600,000 Birr). In addition, the community contribution is estimated to be 20% of the construction costs (investment fund).

4. Finnish Government Contribution - The contribution of Finland for COWASH Phase III in the SNNP Region shall, on a grant basis and subject to annual parliamentary approval in Finland, be a maximum of one million two hundred five thousand one hundred sixty five Euros (€ 1,205,165).

The contribution of Finland is part of Finland's total contribution as defined in paragraph 1 above. It includes an amount of two hundred forty five thousand one hundred sixty five Euros (€ 245,165) which was initially contributed by Finland for the financing of COWASH Phase II but which remains undisbursed after completion of COWASH Phase II. The contribution shall be only used up to the actual amount necessary to cover the costs resulting from the implementation of the Programme as specified in the Project Document.

SECTION V: THE ACTIVITIES TO BE CARRIED OUT BY SNNPR REPRESENTED BY BoFED

BoFED shall carry out the COWASH III Activities in accordance with the Intergovernmental Agreement, work plans and budgets approved by the Regional COWASH Steering Committee and with the documents attached as Annex to this Agreement or as may be otherwise agreed in writing between the Ministry and SNNPR represented by BoFED.

BoFED shall:

- a) Ensure the effective functioning of regional management structures and decision-making as described in the Project Document of April 2016 attached to this Agreement as Annex 2.
- b) Use the same CMP accounts
- c) Participate in the preparation of the annual work plan and budget led by Regional WaSH Steering Committee of CMP in general and Regional Water and Irrigation Development Bureau (WIDB) of the COWASH III in particular, for WASH Steering Committee approval.
- d) Facilitate and support the harmonization of funding from different sources, with the objective of achieving a pooled fund as described in the WIF.
- e) Ensure that the Regional Support Unit (RSU), established by SNNPR with the contribution of Finland grant, will have legal personality enabling it to have its own bank account and operate with autonomy,



SECTION VIII: FINANCIAL FLOWS

1. BoFED shall receive the Ministry's funding in Euro in quarterly instalments against a written request made by BoFED to the Ministry. The BoFED shall convert and transfer the funds received from the Ministry to the CMP Ethiopian Birr (ETB) account following the exchange rate from EURO to ETB calculated on the day of the transfer. The BoFED shall immediately acknowledge in writing receipt of the funds and inform the Ministry the amount received in ETB as well as the exchange rate on the day of the transfer.
2. BoFED shall channel the funding for the capacity building and training to the regional bureaus and Woreda offices on a quarterly basis following the annual work plan and budget approved by the Regional WASH Steering Committee and cash flow estimates of the coming quarter.
3. BoFED shall channel the funds for construction/contract expenditures of Community Managed Projects (CMP) to WIDB as stipulated in the Project Document, April 2016 attached to this Agreement as Annex 2 and the National WASH implementation Framework. Then the WIDB channels the funds to Omo Micro Finance Institute (OMFI) head office CMP account and from there on OMFI transfers funds to its sub-branches; of the participating communities. The funds channeling shall be made on a quarterly basis following the annual work plan and budgets approved by the RWSC. WIDB will prepare and sign the CMP investment fund Management Agreement with the OMFI head office.

SECTION IX: PROCUREMENT

1. If BoFED or other relevant beneficiary institutions will carry out procurements, they shall apply Regional Government Procurement Procedures laid out in the Guideline for the procurement of Goods and Services of the Regional Government Directive Number 13/2012 issued in December 2012 (No. 13/2005, Tahisas 2005 Eth. Calendar) in Hawassa by the Regional Bureau of Finance & Economic Development.
2. The Ministry reserves the right to assess that the procurement procedures follow best international procurement practices.
3. BoFED or other relevant beneficiary institutions shall provide the Ministry with access to all records and documents concerning the procurements. The Ministry may also require access to information during that stage of the procurement procedure which is restricted to the officers performing the function.
4. Invitations to tender as well as procurement contracts shall include a clause on the possibility of the tender being rejected and the contract being cancelled, in case any illegal or corrupt practices have been connected with the award or the execution of the contract. Furthermore, the damage or loss caused by the supplier shall, in case of the cancellation of the contract, be compensated by the supplier.



5. No offer, gift, payment or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts.

SECTION X: REPORTING

1. Based on the reports from OMFI and Woredas Water and Irrigation Development Offices (WIDO), Water and Irrigation Development Bureau (WIDB) of SNNPR shall prepare quarterly progress and financial report and submit to BoFED.

2. BoFED shall prepare consolidated quarterly progress financial reports based on the reports received from WMEB and submit them to the Ministry via the Embassy.

3. The financial reports shall show all sources of funding to COWASH III with sufficient breakdowns of data to permit identification of individual sources of funds and disbursements on major types of expenditure.

4. The Financial reports will be presented in Birr.

5. The quarterly financial report shall incorporate accumulated data and trends from earlier periods reporting, in order to make them easily readable and understandable without revisiting the previous reports.

6 The financial and progress reports shall be drawn following the Regional Government common formats for reports provided that the achievement of performance indicators related to the results, specified in the Project Document, are shown. Three copies of the reports and an electronic version shall be submitted to the Ministry via the Embassy and with a copy to MoFEC. The language of the reports shall be English.

7. Reporting on the Project, i.e. the submission of progress and financial reports as well as completion report, shall be carried out following the guidelines in the project document until harmonized regional CMP reporting has been established and endorsed. Thereafter reporting shall follow jointly agreed rules and guidelines.

8. BoFED shall monitor that the bureaus and offices have prepared their monthly reconciliation and financial reports and that the OMFI has prepared a CMP financial statement on its head office transaction related to CMP. In case that a Bureau, Office or Woreda has breached its reporting obligation on the content of the reporting or on its timely delivery within one month after the termination of the period that the report applies to; or that the Ministry has requested the freezing of the funding to a specific Bureau or Office due to a suspected malpractice; BoFED shall freeze all the funding to that bureau, or office until further notice by the Regional WASH Steering Committee.



SECTION XI: AUDITING

1. The BoFED shall submit to the Ministry an audited statement of the Project accounts within six months of the end of each calendar year.
2. BoFED will perform internal audits in line with GoE guidelines and practices. In case of suspicion of malpractice, BoFED shall invite the Auditor General to perform an audit.
3. The Ministry may commission external audits as necessary.
4. The audit report submitted by BoFED to the Ministry shall certify whether submitted financial reports are correct and give a true and fair view of the results and financial position of the project.
5. The audit shall include, on a test basis, an examination of the evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management of the project.
6. The BoFED shall permit the representatives of the Ministry to carry out any inspection or audit in respect of the implementation of the Project. BoFED shall ensure that all the stakeholders receiving funds from MFA i.e the Bureaus of Finance & Economic Development, Water and Irrigation Development, Health, Women's & Children Affairs, Education, all COWASH participating Woredas and their respective Offices permit the representatives of the Ministry to carry out such inspections and audits. Such an inspection or audit may also be initiated by BoFED.

SECTION XII: SHARING OF INFORMATION

1. The Ministry and the BoFED shall promptly inform each other of any event or situation that might affect the carrying-out of the COWASH Phase III activities or which may necessitate an agreement on a modification or an alteration in the scope, character or execution of the COWASH Phase III activities, in the agreed Budget or in other aspects of the Agreement.
2. The information referred to in the previous paragraph shall be communicated in writing, giving a full account of the relevant reasons for and causes of such an event or situation and proposing any necessary changes, adjustments or other measures to be taken.
3. The Parties shall ensure that all the relevant authorities and organizations are informed of this Agreement and the COWASH Phase III project.
4. Both Parties shall have the right to disseminate information about the COWASH Phase III project, including this Agreement, to the general public and other interested parties.
5. Any publication or other material produced in connection with the COWASH Phase III Project shall mention that the Project is being or has been implemented with the financial contribution of Finland and within the framework of the Finnish Development co-operation

Section XIII: SUSPENSION

1. Both Parties shall have the right, after consulting the other party, to suspend in whole or in part the financing of the COWASH Phase III project if:
 - (a) the financing by the other Party is not forthcoming in accordance with this Agreement and the Project Document, April 2016 attached to this Agreement as Annex 2;



- (b) any other obligation under this Agreement or the Project Document is not fulfilled;
 - (c) the management of the COWASH Phase III Project is deemed to be unsatisfactory;
 - (d) a condition has arisen which interferes or threatens to interfere with the implementation of the COWASH Phase III project or the attainment of the objectives and purposes of the COWASH Phase III Project; or
 - (e) the suspension is warranted by a fundamental change in the circumstances under which the COWASH Phase III Project was started.
2. The suspension shall cease as soon as the event or events which gave rise to suspension have ceased to exist.
3. The Ministry reserves the right to claim repayment from SNNPR in full or in part of the Finnish contribution if it is found to be misused or not satisfactorily accounted for.

SECTION XIV: SETTLEMENT OF DISPUTES

Any dispute between the Parties, arising from the implementation or interpretation of this agreement, shall be settled amicably through negotiations between the Parties.

SECTION XV: SPECIAL PROVISIONS

1. Any remaining balance of the contribution and the interest accrued thereto shall, at the completion of the COWASH Phase III Project or upon the termination of this Agreement, be returned to the Ministry or reallocated to other WASH activities in the region as decided by the Ministry in consultation with the SNNP Region
2. The Ministry shall not accept any responsibility or liability for any claims, debts, demands, damage or loss arising out of the implementation of the Agreement.
3. BoFED shall facilitate the participation of the officials or designated representatives of the Ministry in any preparation, review or evaluation missions or other activities relating to the implementation of this Agreement.

SECTION XVI: NOTICES AND LANGUAGE

Notices, requests or other communication shall be in the English language, state the Agreement number, and sent to the following addresses:

- a) The Ministry for Foreign Affairs of Finland: as stated above under PARTIES
- b) The BoFED: as stated above under PARTIES

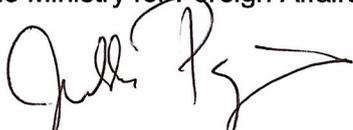
SECTION XVII: AMENDMENTS, ENTRY INTO FORCE AND VALIDITY OF AGREEMENT

1. Any amendments or modifications to the Agreement shall be made in writing by the duly authorized representatives of the Ministry for Foreign Affairs of Finland and the Southern Nations, Nationalities & Peoples Regional State represented by the Bureau of Finance and Economic Development.
2. The Agreement shall enter into force upon signature by the parties and remain in force until the 31st of July 2019, unless terminated earlier by giving a notice in writing three months before.



3. In witness whereof the undersigned, being duly authorized thereto, have signed this Agreement in three originals in English language, at the place and on the day, month and year below written.

For the Ministry for Foreign Affairs in Finland:



Name: Jukka Pajarinen (Mr.)

Chargé d'affaires, a.i

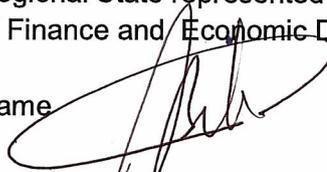
Place: Addis Ababa

Date: August 09, 2016



For the Southern Nations, Nationalities & Peoples Regional State represented by the Region Bureau of Finance and Economic Development - BoFED:

Name



Place:

Date:



Accepted on behalf of the Government of the Federal Democratic Republic of Ethiopia

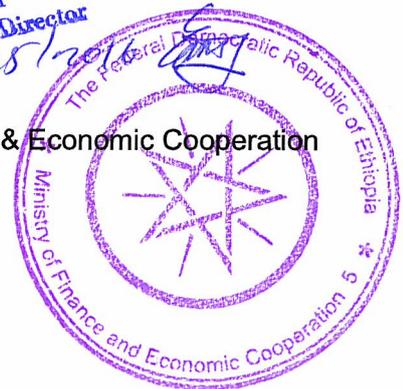
Name:

Place:

Date:

The Ministry of Finance & Economic Cooperation

Kokeb Misrak
Bilateral Cooperation Directorate
Director
August 25/2016



ANNEXES:

1. Intergovernmental agreement. May 13, 2016
2. Amended Intergovernmental agreement (exchange of letters), July 19, 2016
3. Project Document. April, 2016
4. The WASH Implementation Framework (WIF) signed in March 2013.