

MEMORANDUM OF UNDERSTANDING
between
THE MINISTRY OF FINANCE OF THE GOVERNMENT OF ETHIOPIA
and
THE SIDAMA NATIONAL REGIONAL STATE, REPRESENTED BY THE BUREAU OF FINANCE
OF THE SIDAMA NATIONAL REGIONAL STATE

For the implementation of Support to Community-Led Accelerated WASH Phase IV (2021 - 2024) in Sidama Region

WHEREAS: The Government of the Federal Democratic Republic of Ethiopia and the Government of the Republic of Finland signed an intergovernmental Agreement on November 19/2020 on the Co-operation in Support to Community-Led Accelerated WASH in Ethiopia, Phase IV 2021 - 2024 (hereinafter "COWASH IV"). This intergovernmental agreement is attached to this memorandum of understanding (MoU) as Annex 1.

WHEREAS: Based on this bilateral agreement and the subsequent COWASH IV Programme Document the Government of Ethiopia and the Government of Finland (GoF) have agreed that Ministry of Finance (MoF) on behalf of the two governments will have the overall responsibility on the financial management of Finnish funds in COWASH transferred to MoF.

WHEREAS: Accordingly, this "**Memorandum of Understanding**" (MoU) is made between the Ministry of Finance of the Government of Ethiopia and the Sidama National Regional State, represented by the Bureau of Finance (BoF) of Sidama National Regional State (Sidama) (hereinafter "the Parties") for the financial management of COWASH IV in Sidama Region. The activity period of this MoU will be from the 1st of April 2021 to Dec. 2024.

WHEREAS: The purpose of this MoU is to define in detail the administrative and financial fund flow mechanisms for implementing COWASH IV activities in Sidama Region in accordance with the project document attached as Annex 2 to this MoU. In case of contradiction between the provisions of this MoU and the intergovernmental agreement, the provisions of the intergovernmental agreement shall prevail. The validity of this MoU is dependent on the validity of the intergovernmental agreement.

ARTICLE I: 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) Ministry of Finance of Ethiopia
Attention: Ato Degu Lakew
Address: Ministry of Finance of Ethiopia
Channel One Programmes Coordination Directorate Director
Tel: +251-911-666 143
+251-111-570 590



Email: dlakew@mofed.gov.et; degagu@yahoo.com

- b) The Sidama National Regional State, represented by the Bureau of Finance (hereinafter "BoF")
Attention: Ato Ararso Geremew, Head of BoF,
Address: Hawassa, Ethiopia
Tel: +251 (0) 462 200950/ +251 (0) 462 200357
Fax: +251 (0) 462 206084
Email: ararsogeremew@gmail.com

- c) Copied to the Ministry for Foreign Affairs of Finland represented by the Embassy as deemed necessary.

ARTICLE II: BACKGROUND

Support to Community-Led Accelerated WASH in Ethiopia, Phase IV, is financed by the Governments of Finland and Regional Governments (RG) of 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. CDF was renamed as CMP (Community-Managed Project) approach in the updated WASH Implementation Framework (WIF) of the Government of Ethiopia. COWASH project, supports its rolling out in all the regions where its application is possible, including Sidama. The federal financial support to regional COWASH implementation is conditional to the regions' own contributions to CMP implementation, or other sources of financing obtained by the regions.

ARTICLE III: PROJECT OBJECTIVES

1. The overall objective of the project is to contribute to achieving Ethiopia's ten years development plan (2021 – 2030) which 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.
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.

ARTICLE 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 IV Project in Ethiopia in 2021-2024 shall, on a grant basis and subject to annual parliamentary approval in



Finland, be a maximum of eighteen million four hundred thousand Euros (€ 18, 400, 000) plus the remaining GoF fund from COWASH Phase III in the regions in the amount of fifteen million eight hundred ninety five thousand three hundred ninety six Birr and twenty four cents (15,895,396.24 ETB) excluding Tigray region approximately three hundred twenty seven thousand seven hundred forty Euros (€ 327,740) based on the exchange rate of 48.50 Birr/Euro for the month of April 2021 as announced by the Embassy.

2. The total budget for COWASH Phase IV to be implemented in the Sidama Region is estimated at three million three hundred seventy-eight thousand eight hundred eighty-two Euros (€ 3,378,882) including the contributions of Sidama and Finland.
3. Contribution of Sidama: The Sidama's financial contribution (investment fund and operational costs) for the implementation of COWASH Phase IV in the Sidama Region is one hundred eight million Birr (108,000,000 Birr). In addition, the community contribution is estimated to be 20% of the construction costs (investment fund).
4. The Finnish Government Contribution: The contribution of Finland for COWASH Phase IV channeled through MoF to the Sidama Region shall, on a grant basis and subject to annual parliamentary approval in Finland, be a maximum of one million one hundred sixty-one thousand seventy-eight Euros (€ 1,161,078).

The contribution of Finland is part of Finland's total contribution to entire COWASH IV as defined in paragraph 1 above. 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.

ARTICLE V: THE FINANCIAL MANAGEMENT ACTIVITIES OF THE FINNISH FUNDS TO BE CARRIED OUT BY THE MINISTRY OF FINANCE:

The Ministry of Finance shall carry out:

1. Prompt review and approval of financial reports from BoF
2. Fast review and approval of the plans and transfer requests from BoF
3. Conduct annual audits by the Audit Service Corporation or delegated entity to the COWASH Finnish funds' financial management in Sidama
4. Participate in Regional COWASH steering committee meetings and planning and review meetings optionally
5. Regular supervision of Sidama financial management of Finnish funds at region, zone, woreda and community levels
6. Providing fast and accurate feedback to Sidama on its financial management
7. Training of Sidama relevant personnel related to COWASH Finnish funds financial management implementation

Within the project management structure, the Ministry through the participation in the regional WASH steering committee will participate in the monitoring and decision making regarding the administration of the funds.



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ARTICLE VI: THE FINANCIAL MANAGEMENT ACTIVITIES OF THE FINNISH FUNDS TO BE CARRIED OUT BY SIDAMA REPRESENTED BY BOF

BoF shall carry out the COWASH IV financial management activities of the Finnish funds in accordance with the intergovernmental agreement, work plans and budgets approved by the Regional WASH steering committee and with the documents attached to this MoU or as may be otherwise agreed in writing between the Ministry and Sidama represented by BoF.

BoF shall:

1. Carry out the financial management of the Government of Finland (GoF) project funds that will be contributed to the Sidama for COWASH Phase IV according to the COWASH financial management manual which will be part of this MoU as soon as ready.
2. Deposit received GoF project funds to the COWASH account mentioned in article IV. The financial management of the GoF project funds includes the requesting and receiving of funds from the Ministry, and channeling to the implementing agencies.
3. Ensure the use of the Finnish and Regional Government (RG) contributions and the management of funds comply with the professionally accepted bookkeeping rules and practices.
4. Ensure that no illegal or corrupt practices relate to the use of the Finnish and Regional Government contribution.
5. Ensure the effective and transparent financial management of COWASH IV funds from Government of Finland and from the Regional Government in COWASH IV implementation as described in the Project Document in Annex 2
6. Open Phase IV COWASH account for GoF funds at regional level and facilitate opening of new GoF fund accounts in all COWASH woredas;
7. Participate in the preparation of the annual work plan and budget led by Regional WaSH steering committee of COWASH
8. Participate in Regional WASH steering committee meetings for the approval and review of the plan and reports;
9. Approve separate RSU administration manual and RSU salaries for RSU administrative and financial management implementation.
10. Enforce the COWASH financial management manual and CMP financial manual utilization for the Sidama Region to be applied by all COWASH and CMP projects;
11. Transfer Regional Government investment funds for the WASHCOs for the rural water supply implementation according to the approved CMP Financial Management Manual
12. Transfer the RG investment funds to the Woreda Finance Office for the implementation of institutional WASH
13. Transfer the Finnish funds for Bureaus, Zones and Woredas for the selected institutional water supply and capacity building and operational cost.

Within the project management structure, the Ministry and the Embassy through the participation in the regional WASH steering committee will monitor the financial management implementation and decision making regarding the financial administration of the funds.



ARTICLE VII: DISBURSMENTS OF GOVERNMENT OF FINLAND FUNDS

1. At the beginning of the COWASH Phase IV the first payment of Quarter 1 and 2 of the Ethiopian fiscal year of 2014 shall be made to the BoF against a written request made by the BoF to the Ministry, upon the entry into force of this MoU.
2. On the basis of Quarter 1, at the beginning of Quarter 2, BoF shall make a written replenishment request to the Ministry for the actual financial needs of Quarter 3. The remaining balance of Quarter 1, cash on hand or at the bank at the end of the first quarter, shall be clearly indicated in the request. The request shall be supported by a financial and progress report of the previous quarter and a cash flow budget and plan of activities to cover the quarter in question. BoF continues, on the same basis to make quarterly replenishment requests.
3. The Ministry will make the payment within 15 working days from receiving the request starting from the day the Ministry has received the payment request and reports. In case there are unexplained incoherencies between the reports and the request, such as excessive unused balance, the payment request will be processed only after clarifications acceptable to the Ministry have been received from BoF.
4. Unused funds available on the account and not committed to COWASH Phase IV project activities (e.g. activity cancelled), savings etc. shall be stated in the financial report separately and reduced from the next payment request.

ARTICLE VIII: FINANCIAL FLOWS

A) Government of Finland Contribution

1. BoF shall receive the Ministry's funding to the designated COWASH account in quarterly installments against a written request made by BoF to the Ministry. The BoF shall immediately acknowledge in writing receipt of the funds and inform the Ministry the amount received in ETB.
2. BoF shall channel the Finnish funding for the capacity building, training, and selected institutional water supply construction 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 quarters.

B) Regional Government Contribution

3. BoF will channel the Regional Government Contribution for water supply and institutional WASH construction using the Community Managed Project (CMP) approach as stipulated in the project document, October 2020, attached to this MoU as Annex 2 and as stipulated in the CMP Financial Management Manual for using Banks (under preparation).

ARTICLE IX: PROCUREMENT

1. If BoF or other relevant beneficiary institutions will carry out procurements, they shall apply Regional Government Procurement Guideline for the procurement of goods and services of the Regional Government issued by the Regional Bureau of Finance & Economic Development. The community procurement follows the separate CMP financial management manual using Commercial Bank of Ethiopia (under preparation) and attached to this MoU as Annex 3



2. The Ministry reserves the right to assess that the procurement procedures follow best procurement practices.
3. BoF or other relevant beneficiary institutions shall provide the Ministry with access to all records and documents concerning the procurements.
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.

ARTICLE X: REPORTING

A) Reporting the Regional Government and Community Contribution

1. Based on the reports from Woreda Finance Offices and Regional Sector Bureaus, BoF shall prepare quarterly progress and financial report of community water supply investment fund utilization and institutional WASH investment utilization and submit report to Federal Technical Assistance Team.
2. Reporting of the community contribution is done annually. BoF shall submit these reports to the Federal Technical Assistance Team (FTAT).

B) Reporting the Government of Finland Contribution

3. BoF shall prepare consolidated quarterly financial reports based on the reports received from bureaus, zones and woredas and submit them to the Ministry.
4. Three hard copies of the reports and an electronic version shall be submitted to the Ministry with a copy to the Embassy and FTAT.

C) Generic reporting of both fund sources

5. The financial reports shall show all sources of funding to COWASH IV with sufficient breakdowns of data to permit identification of individual sources of funds and disbursements on major types of expenditure.
6. The Financial reports will be presented in Birr.
7. 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.
8. The financial reports shall be drawn following the reporting formats provided in the GoF and CMP Financial Management Manuals and in formats provided by the Federal Technical Assistance Team.
9. The language of the financial reports shall be English.
10. BoF shall monitor that the bureaus, departments, and offices have prepared their monthly reconciliation and financial reports.



Commissaire



In case that a Bureau, or Woreda has breached its financial reporting obligation on the content of the financial reporting or on its timely delivery within one month after the termination of the period that the financial 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; BoF shall freeze all the funding to that bureau, department, or office until further notice by the Regional COWASH steering committee.

ARTICLE XI: AUDITING

1. The BoF shall submit to the Ministry an audited statement of the Project accounts within six months of the end of each calendar year.
2. BoF may perform internal audits in line with GoE guidelines and practices and according to the specific audit guidelines provided by COWASH.
3. The Ministry of Finance will organize external audit of COWASH GoF funds financial management through the Audit Service Corporation
4. The BoF shall permit the representatives of the Ministry for Foreign Affairs of Finland (MFA) to carry out any inspection or audit in respect of the implementation of the Project. BoF shall ensure that all the stakeholders receiving funds from the Ministry i.e., the Bureaus of Finance, Water Mines and Energy Development, Women's & Children Affairs, Health, Education, all COWASH participating Woredas and their respective Offices permit the representatives of the MFA to carry out such inspections and audits.

ARTICLE XII: SHARING OF INFORMATION

1. The Ministry and the BoF shall promptly inform each other of any event or situation that might affect the carrying out of the COWASH Phase IV activities or which may necessitate an agreement on a modification or an alteration in the scope, character, or execution of the COWASH Phase IV activities, in the agreed Budget or in other aspects of this MoU.
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 MoU and the COWASH Phase IV project.
4. Both Parties shall have the right to disseminate information about the COWASH Phase IV project, including this MoU, to the public and other interested parties.
5. Any publication or other material produced in connection with the COWASH Phase IV Project shall mention that the Project is being or has been implemented with the financial contribution of Finland and Sidama.

ARTICLE 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 IV project in Sidama if:



- (a) the financing by the other Party is not forthcoming in accordance with this Agreement and the Project Document, October 2020 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 IV Project is deemed to be unsatisfactory;
 - (d) a condition has arisen which interferes or threatens to interfere with the implementation of the COWASH Phase IV project or the attainment of the objectives and purposes of the COWASH Phase IV Project; or
 - (e) The suspension is warranted by a fundamental change in the circumstances under which the COWASH Phase IV 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 Sidama in full or in part of the Finnish contribution if it is found to be misused or not satisfactorily accounted for.

ARTICLE 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.

ARTICLE XV: SPECIAL PROVISIONS

1. Any remaining balance of the contribution and the interest accrued thereto shall, at the completion of the COWASH Phase IV Project or upon the termination of this MoU, be returned to the Ministry or reallocated to other WASH activities in the region as decided by the National COWASH steering committee in consultation with the Sidama.
2. BoF shall facilitate the participation of the officials or designated representatives of the National COWASH Steering Committee in any preparation, review or evaluation missions or other activities relating to the implementation of this MoU.

ARTICLE XVI: AMENDMENTS, ENTRY INTO FORCE AND VALIDITY OF MOU

1. Any amendments or modifications to the MoU shall be made in writing by the duly authorized representatives of the Ministry for Foreign Affairs of Finland and the Sidama National Regional State represented by the Bureau of Finance.
2. The MoU shall enter into force upon signature by the parties and remain in force until December 31st, 2024, 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 MoU in three originals in English language, at the place and on the day, month and year below written.



