

JOINT FINANCING ARRANGEMENT BETWEEN THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA AND DEVELOPMENT PARTNERS ON SUPPORT TO THE MDG FUND

The MDG Fund is pooled funding mechanism managed by the FMOH using the Government of Ethiopia procedures. In the framework of the Ethiopia IHP compact, it provides flexible resources, consistent with the *'one plan, one budget and one report'* concept, to secure additional finance to the Health Sector Development Programme. It is one of the GoE's preferred modalities for scaling up Development Partners assistance in support of HSDP.

Preamble

The Federal Democratic Republic of Ethiopia, represented by the Federal Ministry of Health and Ministry of Finance and Economic Development, and the undersigned Development Partners, have reached the following common understanding to advance their shared objective of accelerated implementation of the Health Sector Development Programme (HSDP) to speed up progress towards the health Millennium Development Goals in Ethiopia, within the framework of the International Health Partnership

IHP, International Health Partnership, refers to the global compact signed in London on 5th September 2007 as the international commitment toward improved aid effectiveness in the health sector. It refers, specifically, to the Ethiopia country compact signed in Addis Ababa on 26th August 2008, setting out the framework for increased and more effective aid, and accelerated actions toward the achievement of the health Millennium Development Goals (MDGs).

MDG Fund, MDG Performance Fund, is a pooled funding mechanism managed by the FMOH using Government's procedures, which provides specific federal grants for public goods and capacity building activities within the framework of health system strengthening. It is one of the GoE's preferred modalities for scaling up Development Partners' assistance in support of HSDP.

JFA, Joint Financing Arrangement, refers to this arrangement that sets out the jointly agreed terms and procedures for MDG Fund management, including planning, financial management, governance framework and decision-making, reporting, review and evaluation, audit and supply chain management.

1. Definitions:

- I. **“ARM”** refers to the Annual Review Meeting which serves as the vehicle for joint annual oversight, guidance and decision-making around HSDP.
- II. **“CJSC”** refers to the Central Joint Steering Committee which is the highest body to decide, guide, oversee and coordinate the health sector development programme.
- III. **“Disbursement”** means the payments made by the DPs to the MDG Fund.
- IV. **“DPs”** refers to the Development Partners, who are bilateral and multilateral institutions which support HSDP.
- V. **“Expenditures”** are those eligible costs which are incurred by the FMOH and other implementing agencies and charged to the MDG Fund.
- VI. **“FMOH”** refers to the Federal Ministry of Health of the Federal Democratic Republic of Ethiopia.
- VII. **“GAVI”** refers to the Global Alliance for Vaccines and Immunization, currently supporting health system strengthening in Ethiopia through the MDG Fund.
- VIII. **“GFATM”** refers to the Global Fund to fight Aids, Tuberculosis and Malaria which is one of the significant financiers of the health sector in Ethiopia.
- IX. **“GHPs”** refers to the Global Health Partnerships like GFATM and GAVI that use public private partnership to mobilise and institute new ways of funding the health sector development at the global level.
- X. **“GoE”** refers to the Government of the Federal Democratic Republic of Ethiopia.
- XI. **“HHM”** refers to the HSDP Harmonisation Manual which sets out a basic set of planning and implementation procedures, activities and governing bodies, to guide behaviour of all Development Partners in the health sector. It defines the concept of ‘one plan, one budget and one report’.
- XII. **“HSDP”** refers to the Health Sector Development Programme which provides a comprehensive national plan and guiding framework for the health sector.
- XIII. **“JCCC”** refers to the Joint Core Coordinating Committee which acts as a technical arm of the CJSC and JCM.
- XIV. **“JCM”** refers to the FMOH / Health Population and Nutrition (HPN) DPs Joint Consultative Meeting which serves as a forum for dialogue between FMOH and DPs.
- XV. **“JRM”** refers to the Joint Review Mission of government and DPs that is carried out every year before the ARM to validate the HSDP annual performance report. JRM represents the opportunity to include independent reviewers for any required external review and validation process.

- XVI. **“MOFED”** refers to the Ministry of Finance and Economic Development of the Government of the Federal Democratic Republic of Ethiopia
- XVII. **“PASDEP”** refers to the Plan for Accelerated and Sustained Development to End Poverty, the Ethiopian poverty reduction strategy, representing the overall framework for sectoral development plans.
- XVIII. **“PFSA”**, Pharmaceutical Fund and Supply Agency, is the Health Sector procurement agency, in charge of procurement and distribution of health commodities to public health facilities. PFSA is one of the agencies governed by its own Board of Directors and accountable to the FMOH.
- XIX. **“PPA”**, Public Procurement Agency, is the institution that oversees all public procurement processes. PPA is accountable to MOFED.
- XX. **“Signatories”** refers to the GoE represented by FMOH, MOFED and those Development Partners who sign the present JFA and pool funds into the MDG Fund according to bilateral financial agreements

2. General Provisions

- 2.1. Signatories are committed to the principles of aid effectiveness and to enhancing ownership, alignment, harmonisation, results orientation and mutual accountability in their support to the Ethiopian health sector. The partnership framework is founded on the vision of '*one plan, one budget, one report*'.
- 2.2. Key agreements, mechanisms and strategies include: the Plan for Accelerated and Sustained Development to End Poverty (PASDEP); the Health Sector Development Programme (HSDP); the HSDP Harmonization Manual (HHM); the Code of Conduct to Promote Harmonization in the Health Sector of Ethiopia; the International Health Partnership (IHP) Compact signed between GoE and Development Partners (DPs).
- 2.3. The signatories recognise the benefits that their mutual commitment can bring. All sides are committed to doing their part in supporting effective implementation. DP Signatories will strive for the highest possible degree of alignment with the budgetary and accountability system and legislation of the FMOH in the provision of financial resources, as well as supporting GoE plans to strengthen health system capacity. FMOH will continue to strengthen sector capacity, including such areas as human resources, financial management, procurement and supply chain management, and health management information systems.
- 2.4. The MDG Fund Joint Financing Arrangement (JFA) represents a common understanding between the FMOH/MoFED/GoE and DPs and is not an international treaty, nor is it intended to be legally enforceable. It is adopted pursuant to and subject to bilateral agreements between the GoE and the signatory DPs for the purpose of contributing to the financing of the HSDP. The DPs will endeavour to ensure that their bilateral agreements will be as far as is possible consistent with the JFA.
- 2.5. The signatories agree that respect for human rights, democratic principles, the rule of law and good governance, including the fight against corruption, are fundamental principles on which the co-operation between the Signatories rest and which constitute essential elements of this JFA.

3. Scope of the MDG Fund and Joint Financing Arrangement

- 3.1. The MDG Fund is a pooled fund that is managed by FMOH using GoE procedures. It provides flexible resources, consistent with the one plan and one budget concept, to provide additional finance to under-funded areas of HSDP. As confirmed in the country IHP Compact, the MDG Fund is one of the GoE's preferred vehicles (the other being 'block grants') for signatory DPs to support more effective implementation of HSDP and subsequent sector strategies
- 3.2. Eligible expenditures are defined as areas within the MDG Fund that are agreed annually as a package within wider sector planning discussions, under the HSDP framework, between FMOH and DPs. These areas currently include the existing programmes of Health Extension, Health Service Delivery (including for maternal and child health), Health Systems Strengthening and Procurement of Public Health Commodities. The chart in Annex E illustrates the types of activities the MDG Fund could finance.
- 3.3. Signatories agree that government wage costs (at either Federal or sub-national levels) will not be deemed as eligible expenditures for the MDG Fund. Consistent with the mandate of FMOH, as stated in proclamation 471/2005, the majority of financial expenditure under the MDG Fund will be made at Federal levels, with goods and services transferred in-kind to sub-national levels.
- 3.4. The interventions financed through the Protection of Basic Services programme will follow financial management and procurement arrangements agreed between the GoE and the World Bank.

4. Responsibilities of the FMOH

- 4.1. The FMOH, representing the GoE, carries overall responsibility and accountability for the performance of the health sector as a whole, including the MDG Fund, ensuring that all activities undertaken within the sector contribute to HSDP goals and priorities. Responsibilities include:
 - a. Ensure that strategic plans contain clear objectives and targets; that the measures required to achieve the targets are evidence-based and are fully costed; that the objectives and targets can realistically be achieved taking into account implementation capacity and projections of the available resource envelope; that HSDP is consistent with the PASDEP, that it is the outcome of a consultative process involving DPs, and that there is a clear framework for monitoring and evaluation.
 - b. Fund the health sector in accordance with HSDP financing scenarios and increase the domestic allocation to the health sector over time including through political support to increase allocations to health by the regions and woredas.

- c. Ensure adequate capacity to manage sector planning, coordination, governance and enhanced aid flows to implement and manage the MDG Fund.
- d. Ensure effective implementation of the new information management system for financial and technical programmes reporting, joint monitoring and evaluation system
- e. Consult with and engage stakeholders each year on development of a plan, revisions to plans and sector strategies via the health sector coordination mechanisms.
- f. Implement the MDG Fund budget in a manner consistent with the agreed allocations, within the overall federal budget for the health sector, consulting in advance with the DPs on major envisaged changes to budget allocations during the financial year.
- g. Keep financial records of MDG Fund operations in line with GoE budgetary laws and procedures, and continue to improve the quality of public financial management and procurement systems at both central and regional levels.
- h. Implement and report on a single results based framework for the HSDP that covers the MDG Fund.
- i. Encourage all DPs and global initiatives to place their financial resources into the GoE preferred funding channels.
- j. All internal audit reports in respect of MDG Fund operations will be sent to the Minister of Health and, subsequently, to Signatory DPs within 30 days of completion of the audit report. Subsequent to the receipt of the reports an Action Plan addressing the observed weaknesses shall be developed by FMOH and be monitored for implementation by the FMOH and DPs.
- k. Ensure an annual process of independent external audit of the MDG Fund (including procurement post review, management and financial audit).
- l. Implement the measures agreed in the JFA Action Plan (Annex F) and report on implementation progress in the context of quarterly MDG Fund financial and activity reporting.
- m. Immediately inform signatories of any circumstance (including theft or misuse of funds) that may interfere or threaten to interfere with the successful implementation of the MDG Fund and, with a view to resolve the issue, call for a meeting of the CJSC to consult with signatories on remedial actions to be taken.

5. Responsibilities of the DPs

- 5.1. The DP Signatories commit to providing resources to the MDG Fund in line with principles of aid effectiveness, the commitments of the IHP Compact and the procedures set out in this JFA. These include:
 - a. Align with the '*one plan, one budget, one report*' framework by using collectively agreed country-led arrangements for planning, execution and reporting. Use a common mechanism for any annual process of validation of

the sector plan. Minimise requests for partner-specific formats for planning, reporting and evaluation.

- b. Enhance predictability of DPs' funding by providing information on commitments (on a three-year time-frame) and disbursements to the MDG Fund and the health sector as a whole. The Annual Calendar of Events (Annex A) sets out the timing of the provision of such information.
- c. Coordinate activities in line with the agreed budget calendar, keeping bilateral missions, analytical processes and engagement to a minimum and not attempting to influence budgets outside collective fora.
- d. Strive towards increasing Development Assistance for Health Sector and an increasing share of this to be according to the 'one plan, one budget and one report' framework – including the use of GoE preferred financing modalities.
- e. Provide annual reporting to allow for monitoring of progress on harmonisation and alignment (in line with Annex 2a and Section VI of the IHP Compact).
- f. Use Government systems to procure, disburse, implement, report, monitor, account, and audit their assistance put in MDG Fund.
- g. Provide coordinated technical assistance as required in order to strengthen those systems and make them fit for purpose.

6. Institutional arrangements and decision making

- 6.1 The framework for the dialogue, governance and decision-making of the MDG Fund is provided by the existing health sector coordination framework which consists of a three tier collaborative governance system made up of the CJSC, the JCM and the JCCC. The institutional arrangements for the MDG Fund will be fully integrated within overarching sector planning and coordination structures.
- 6.2 The division of responsibilities between different bodies is described below. The various bodies will meet in line with the annual calendar of events and the provisions of this JFA. Key functions and events include:
 - a. **CJSC:** the CJSC will have oversight over MDG Fund-related issues including review of the annual performance report in advance of ARM, review of semi-annual sector results reporting, oversight of the JRM as an Independent Monitoring Mechanism (IMM), handling of dispute resolution, non-compliance, DP accession and withdrawal.
 - b. **JCM:** The JCM will provide the forum for exchange of views between GoE and DPs on: sector planning, budget priorities for the MDG Fund and DP resource flow. JCM will be a forum for joint DP-GoE exchange of views on discussion of core indicative plans (including procurement plans) and budget proposal (in line with calendar). JCM will further constitute a 'Business meeting' to discuss DP commitment and disbursement information (in line with IHP Compact). These 'business meetings' will occur in February (to support resource mapping), April (to support the draft sector annual plan) and July (to support budget planning and execution). Where possible 'business

meetings' will be combined with other relevant JCM meetings – including for exchange of views on policy priorities.

- c. **JCCC:** The JCCC will be the coordinating body responsible for joint oversight of health sector operational issues: review of Quarterly Financial and Activity Reporting, discussion of MDG Fund Procurement Plans and other operational issues as necessary.
- 6.3 Signatories recognise that, while the existing sector coordination framework is strong in principle, ongoing efforts from all sides are required to strengthen its performance in practice.
- 6.4. MDG Fund quarterly financial and activity reports will be discussed in the JCCC on a quarterly basis. Reports will be sent to the FMOH, with copies provided to MoFED, the co-chairs of the Health, Population and Nutrition (HPN) DP group and all signatories at least one week in advance of the meetings.
- 6.5. Signatory DPs will refrain from bilateral meetings with the GoE on the issue of the MDG Fund.
- 6.6. In line with sector governance principles, where the JCCC or JCM are unable to resolve an MDG Fund-related issue, it will be referred to the CJSC for resolution.

7. Planning

- 7.1. The HSDP targets, priorities and costing form the basis of the annual planning process. The existing iterative top-down and bottom-up (Woreda based planning process) will be the only sector planning process modality for the annual operational plan in the health sector. This process will be aligned to the government budgeting calendar as outlined in the HSDP Harmonization Manual (HHM).
- 7.2. This annual operational plan should be comprehensive in scope (reflecting all the major results at Woreda, regional and national levels), and resource framework (capturing as much as possible all resources coming to the sector through the various channels including the MDG Fund). The MDG fund contribution is reflected as one of the channels of sector funding.
- 7.3. In addition to the usual service delivery plan comprehensive annual procurement and technical assistance plans will be prepared and fed into the annual Woreda based plan. These plans will reflect the contributions of all stakeholders and address gaps to be filled by the MDG Fund.
- 7.4. The development and approval process of annual and strategic plans will be open and participatory. The approval of the annual planning guidelines, priority setting, review and appraisal of draft plans, overall resource allocation among HSDP priorities and the approval of the consolidated annual plan will be decided after consultations between FMOH and all DPs.
- 7.5. Most of the expenditure of the MDG Fund will be incurred at the federal level. When an in-kind distribution is made, the government allocation criteria and procedures will be utilised.

8. Flow of funds

- 8.1. The FMOH will conduct its accounting, recording and reporting functions as well as all other financial management and internal control procedures in full compliance with Ethiopian governing financial legislation, related decrees, standards and guidelines as issued by MOFED.
- 8.2. The FMOH shall maintain the foreign currency account in the National Bank of Ethiopia for the MDG Fund into which all signatories shall make transfers of agreed funds.
- 8.3. Signatories are encouraged to disburse as per the GoE's disbursement schedule.
- 8.4. A quarterly MDG Fund Financial and Activity Report (Annex C2) for the period will be prepared within 45 days of the end of the quarter and indicate the year-to-date advances and expenditures and all remaining balances in the MDG Fund account. At the end of the financial year, any unspent balances will be carried forward to the next financial year, in accordance with Article 29.2 of the Financial Administration Proclamation. They shall be used for the sole purpose of financing eligible MDG Fund expenditures and

will be included in subsequent quarterly reports, and taken into account in subsequent funding requests.

- 8.5. The quarterly MDG Fund financial and activity report will include 6-month cash flow statements that guide signatories DPs in their disbursements into the MDG. The Signatory DPs shall provide regular information on commitments and disbursements to the MDG Fund in line with the agreed annual cycle.
- 8.6. The group of Signatory DPs will aim to ensure that the phasing of pooled disbursements reflect the requirements of the MDG Fund programme as set out in the work-plans and cash-flow forecasts.
- 8.7. Subject to Article 8.3, for the first disbursement of the fiscal year the Signatory DPs will normally advance at least an amount sufficient to meet 50% of the annual eligible expenditures agreed between FMOH and the DPs. Disbursement will be made, following the DPs' receipt of the MDG Fund Financial and Activity Report for the third quarter of the previous fiscal year, together with the agreed Annual Plan and cash flow forecast for the subsequent fiscal year. If agreed between the Signatories, as justified by the expected phasing of eligible expenditure, a larger share may be disbursed. In the first year of operation of the MDG Fund there will be no requirement to receive the third quarter report.
- 8.8. Subject to Article 8.3 a subsequent payment will normally be made following submission by FMOH of the first quarterly MDG Fund Financial and Activity Report and six month cash flow forecast. Signatory DPs may adjust the level of their disbursement or may decline to make a payment if the financial monitoring report does not demonstrate a need for the funds.
- 8.9. The Signatory DPs will indicate their future three years commitments and their commitments for the upcoming fiscal year through the annual Resource Mapping exercise.
- 8.10. Additional commitments, from new DPs becoming Signatories to the JFA, will be discussed and agreed upon between the Signatories before such adjustments are made.
- 8.11. Any additional funds that become available between the annual planning periods will finance the agreed plan and budget without extra development of proposals.
- 8.12. If any Signatory DP fails to meet their commitment to make payments into the MDG Fund in any quarter, the Signatory DPs and the FMOH will consult on action needed to ensure that the programme remains fully funded.
- 8.13. Following confirmation from the National Bank of Ethiopia, FMOH will acknowledge receipt of the funds in writing to the Signatory DPs within 30 days.

9. Procurement

- 9.1. All procurement using the MDG fund will follow the Determining procedures of Public Procurement and Establishing its supervisory Agency Proclamation No 430/2005, the Federal public Procurement directives and the standard bidding documents issued by the federal public procurement Agency (PPA).
- 9.2. The FMOH would be the budget holder for the MDG Fund and will delegate the procurement of goods to PFSA. The PFSA will prepare its own procurement manuals in accordance to the proclamation 553/2007. DPs' comments on the draft PFSA procurement manual will be taken into account before it is used for the MDG Fund.
- 9.3. The FMOH (Policy Planning and Finance General Directorate, the Human Resources Development Directorate and Health Facility Expansion and Rehabilitation Directorate) will be responsible for procurement of services, consultancies and works.
- 9.4. The PFSA will strengthen its procurement capacity and improve its procurement procedures in a) Procurement planning and reporting b) Supply Chain Management during the time of adopting new processes c) Adopting a 'code of ethics' and d) Staff training and coaching. All to be in accordance with the process and details set out in Annex B.
- 9.5. PFSA may engage, based on their particular expertise or comparative advantage, a UN agency as a supplier or procurement agent. The UN Agency contracted by PFSA would undertake the procurement activities in accordance with the UN agency's own procurement procedures. PFSA will select the agent in accordance with its procurement Manual.
- 9.6. The FMOH will, upon request, furnish the DP Signatories with all relevant documents/information on its procurement activities, including details and copies of contracts awarded.

10. Reporting

- 10.1. The FMOH will be responsible for providing Signatory DPs with reporting relevant to the programme. The reporting process and format will be consistent with the 'one plan, one budget, one report' framework.
- 10.2. MDG Fund results reporting will be integrated into the HSDP results framework. This will be provided every six months in a statistical annex to the FMOH Quarterly Health Bulletin. The Bulletin will be distributed to all DPs by the FMOH in advance of discussion in the JCCC and JCM.
- 10.3. Within 45 days of the end of each quarter (in February, May, August and November) the FMOH will distribute an "MDG Fund Financial and Activity Report" to Signatory DPs. The Report will contain information on the

implementation of the MDG Fund over the previous quarter, including financial reporting, procurement and key process indicators, including social inclusion.

- 10.4. The quarterly Financial and Activity Report will include information on sources and uses of funds in accordance with the formats in Annex C and D with all financial transactions reconciled to the balance in the MDG Fund account. Relevant bank statements and confirmations will be attached to confirm the reconciliation, showing the amounts and dates of payments into and out of the MDG Fund and the balance of pooled funds in the account. The quarterly report will also provide:
 - a) Payments into and out of the MDG Fund Account;
 - b) Budgeted and actual expenditures on the activity level;
 - c) Bank reconciliation;
 - d) Planned and achieved procurement and distribution activities;
 - e) Six months cash flow forecast.
- 10.5. At least two weeks before the date of the ARM, the FMOH will also distribute its consolidated HSDP annual performance report to DPs including the MDG Fund Annual Financial report.
- 10.6. Signatories agree to work together to strengthen the monitoring and evaluation system as presented in the action plan annexed to this arrangement.

11. Reviews and evaluation

- 11.1. Reviews and evaluation will be common to all DPs and will be aligned with FMOH processes. FMOH and DPs will maintain a close dialogue around reviews and evaluation through the JCCC and JCM. The basis for review and evaluation is provided by the indicators set out in the HSDP matrix.
- 11.2. In line with the agreed annual sector cycle, the FMOH and DPs will undertake a number of sector review and evaluation processes relevant to the MDG Fund:
 - a. **The consolidated HSDP annual performance report** that is currently prepared for the Annual Review Meeting will serve as the vehicle for annual review of MDG Fund performance. The precise content of MDG Fund reporting within the annual performance report will be decided by the MoH and all DPs jointly. It is agreed that at a minimum it will draw together review of MDG Fund annual financial performance and process and activity indicators. The consolidated report will be distributed to DPs at least two weeks before the date of the ARM. The ARM will also discuss, and commission if necessary, specific analytical exercises or diagnostic tools and agreed surveys for tracking gender and equity concerns that need to be undertaken in relation to the MDG Fund or the sector as a whole.

- b. **HSDP evaluations.** The MDG Fund will be evaluated as part of the independent Mid-Term Review (MTR) and end of programme HSDP evaluation.
- c. The Joint Review Mission will, in advance of the ARM, be instituted to serve as **an Independent Monitoring Mechanism**. The scope of work will include reporting annually on the implementation of the IHP Compact, reviewing the extent to which Government and DPs actions are compliant with the provisions of the IHP Compact, and with the priorities and strategies set out in the HSDP. The JRM will include independent consultants to verify and validate the sector performance and to assess mutual accountability. The JRM will be carried out on selected themes every year. Thematic priorities will be jointly decided by Government and DPs.
- d. Regarding the implementation of the IHP compact, the JRM report will in particular advise on the causes and remedies for any under-performance by any of the Signatories, and for any disagreements that may have arisen.

12. Audit

Internal Audit

- 12.1. Internal Audit Department of FMOH will develop an annual risk-based audit plan in consultation with FMOH management and DPs to help management identify, *inter alia*, key risks and weaknesses in the operations of the MDG Fund. Internal audits shall be conducted in compliance with the annual risk-based Audit Plan.
- 12.2. All internal audit reports in respect of MDG Fund operations will be sent to the Minister of Health and, subsequently, to Signatory DPs' within 30 days of completion of the audit report. Subsequent to the receipt of the reports an Action Plan addressing the observed weaknesses shall be developed by FMOH and be monitored for implementation by the FMOH and DPs.

External financial and procurement Audit

- 12.3. The Federal Auditor General will conduct an audit of the annual financial statements of the MDG Fund in accordance with terms of reference agreed with the DPs. The auditor's opinion, together with the financial statements and Management letter shall be presented to signatories within six months of the end of the Fund's financial year. The Signatory DPs will have access to the Office of the Federal Auditor General management letters sent to FMOH in respect of the MDG Fund audit.
- 12.4. Failure to provide the aforementioned audit report may result in a delay in the release of future funds until a satisfactory external audit report has been provided.
- 12.5. Performance audit can be carried out by the Office of the Federal Auditor General, based on ToRs agreed upon with DPs.
- 12.6. Based on the outcome of such audit, an Action Plan addressing the observations shall be developed and be monitored for implementation by the Ministry and DPs.
- 12.7. Procurement Audit of MDG Fund activities will be conducted on annual basis by PPA as per the mandate given to PPA. The PPA audit reports will be in Amharic and English and be made available to the FMOH and DPs in the context of MDG Fund financial and activity reporting.

13. Non-compliance

- 13.1. In the event of a dispute in relation to whether Signatories to the arrangement are complying with their commitments, there will be a period of formal consultation through the agreed governance structures before any action is taken to modify the level, timing, or conditions of development assistance covered by this arrangement.
- 13.2. If a common position cannot be reached on the response/remedial action needed, the DP shall inform the other Signatories if they intend to discontinue their support.

14. Corruption

- 14.1. The Signatories will co-operate on preventing corruption within and through any activities funded through the MDG Fund, and will require that the FMOH staff and consultants, as well as DP employees, refrain from offering third parties, or seeking, accepting or being promised by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The Signatories will take swift legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption.
- 14.2. The Signatories will promptly inform each other of any instances of corruption as referred to in this paragraph and of the measures taken as referred to in the previous sub-paragraph.

15. Modification, DP accession and withdrawal

- 15.1. The JCM will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this JFA.
- 15.2. Any modification or amendment of the terms and provisions of this JFA will only be approved if agreed in writing by all Signatories.
- 15.3. The Signatories welcome participation in this JFA by other DPs who wish to support the HSDP through the MDG Fund.
- 15.4. Upon a written request including acceptance of the terms and conditions of this JFA, a new DP may become a signatory. The FMOH will consult with all the signatory DPs in advance in the JCCC meeting. The request will then be submitted to the CJSC. Provided there is no objection from the CJSC, the FMOH will, as an annex to this JFA, give the DP written authorisation to become a Signatory. All other signatories will be provided with a copy of the letter of authorisation.
- 15.5. Each Signatory DP may withdraw/terminate its support to the MDG Fund by giving the other Signatories three months' written notice of its intention. If a Signatory DP intends to withdraw/terminate its support, it will call for a meeting of the JCM to inform the other Signatories of its decision.

16. Dispute settlement

- 16.1. If any dispute arises between the Signatories as to the interpretation, application or implementation of this arrangement, they will in the first instance refer the matter to the CJSC for consultation and dialogue to facilitate an amicable resolution.

17. Entry into effect

- 17.1. This JFA enters into effect for a given DP on the date of its signature by the GoE and the DP in question.

Annex A : Annual Calendar

	EFY1		EFY 2002																	
	Quarter 3		Quarter 4				Quarter 1				Quarter 2				Quarter 3				Quarter 4	
	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June		
Performance Plans and review																				
DPs provide indicative commitments to JCM		X												X						
Resource mapping		X												X						
Core Indicative Annual Plan		X												X						
Regional draft core plans			X												X					
JAR Mission to feed into annual plan			X												X					
FMOH budget proposal			X														X			
Six monthly sector results report to JCM														X			X			
DP survey on IHP commitments								X						X			X			
Consolidated report on sector performance for the ARM									X								X			
Draft sector annual plan prepared				X	X	X											X			
Woredas prepare annual plans				X													X			
ARM reviews sector policy and mutual performance										X							X			
JCM meeting to review the draft plans and resource allocation				X													X			
DPs confirm commitments to JCM								X												
Budget Approval and Releases																				
Approval of budget and 12 months cash flow						X												X		
First release equivalent to 6 months expenditure							X													
Second and final release											X									
Progress and Financial Reporting																				
MDG Fund Qtr 1										X										
MDG Fund Qtr 2												X								
MDG Fund Qtr 3																	X			
MDG Fund Qtr 4																				
Cash Flow Forecast for 6 months																				
Submission date										X			X				X			

Annex B : MDG Fund Procurement plan and support interventions

B1: Procurement Plan

By the end of May of each year, the FMOH will present to the signatories for their review and agreement a draft procurement plan for goods works and services to be funded by the MDG Fund. The plan will include ongoing projects and detailed procurement plans for the following 12 months.

There will be a planning format for goods & works and a separate one for services.

The planning process will include the following:

- a. Establish procurement requirements with mapping and issues in respect to each product or service
- b. Verify budget and budget availability
- c. Prepare monthly procurement activity sheets
- d. Prepare schedule for evaluation & reporting
- e. Verify timeframes in the plan
- f. Seek approval of the plans by MOH and signatories

B2: SUPPORTING INTERVENTIONS

Background: The PFSA structure is at the present time the most appropriate structure among the public entities to purchase and distribute drugs and medical equipment. The PFSA is in a favourable environment with PPA dealing with laws and regulations related to procurement matters and with procurement audits, with DACA that certifies and controls drugs and enterprises in the health sector, with PPD a service of the MOH dealing with procurement of Works and mainly with health centres in the whole country, with Human resources service of the MOH, Finance & procurement Dept and PFSA dealing with procurement of services until PFSA , if so desired, consolidate this work in the future, with UNICEF and procurement agents that could help in emergency situations. This PFSA structure is still in a process of implementation and transition as it comes from two former entities one of them being still in activity until end of 2008. PFSA also has an ambitious development project in the whole country (23 hubs) through the BPR process. This BPR is the future of what PFSA could or should be as the operator of the entire supply chain.

It is proposed that to help ensure reliability, stability and probity of the supply chain management system that: The MDG Performance Fund will utilise during this time of PFSA change and adoption of new processes, assistance as follows:

1. The PPA will conduct regular audits as shown in the proclamation.
2. A full time international expert for a two year duration who will provide technical assistance to the PFSA in the area of **supply chain management**. The expert would report to the Director General of PFSA. The main function of the role will be to:
 - g. Assist in the implementation and establishment of the new processes and system both within and planned by the PFSA
 - h. Assist in the data gathering and analysis of procurement and supply data needed for MDG Performance Fund reporting.
 - i. Assist in the design of training & coaching by PSE and monitor the results.
 - j. Ensure skills and knowledge of the assistance are transferred by means of mentoring, and training.
3. A full time international expert for a two year duration who will provide technical assistance to the PFSA (goods & services) and PPD (works) in the area of **Procurement planning and reporting**. The expert would report to the Director of PFSA. (The current procurement technical assistance provided to PFSA could be extended and expanded to cover this need). The main function of the role will be to:
 - k. Assist in the preparation and monitoring of procurement planning and procurement reporting processes for the MDG Performance Fund operated within the PFSA. The expert would ensure the following:
 - Help establish procurement requirements
 - Help verify budget and budget availability
 - Help Map procurement requirements and issues in respect to each product or service in a 18 month procurement plan.
 - Help prepare monthly procurement activity sheets
 - Help prepare schedule for evaluation & reporting
 - Help in the verification of timeframes in the plan
 - Help in the process of seeking approval of the plans

Ensure skills and knowledge of the assistance as shown above are transferred by means of mentoring, and training

A provision of training courses for existing and new members of PPA procurement staff to be provided by the Procurement Service Enterprise (PSE) a government parastatal that currently conducts procurement training on local and ICB procurement. The PSE are able to conduct tailor made training to match the needs of the PFSA. The training interventions would be designed by PSE with advice from the PFSA full time international expert and PFSA management.

4. PPA to deliver training to PFSA staff on the Public Procurement Proclamation and the role of PPA.. The course could be specific for PFSA although this would need to be agreed and arranged by PPA. There may be the need for assistance to PPA for this delivery.
5. All PFSA and PPD staff who are involved in procurement would join the proposed Ethiopian Institute of Procurement (EIP.) The PFSA would also join the EIP as a corporate member. Planned education and training programmes offered by the EIP for upgrading the professionalism of procurement that will be conducted at the Ethiopian Civil Service College (ECSC) will be attended by PFSA procurement staff

NOTE: There should also be the provision for extra technical assistance if reports and feedback demonstrated that the Ministry and or PFSA would benefit by such support

Annex C: Financial and Activity Reporting Formats

C1: Financial Monitoring Report: Quarterly Report on Sources and Uses of Funds

	Annual						Cumulative project life	
	Commitment /budget		Quarter to mm/dd		Cumulative to mm/dd		MDG Fund	PBS
	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS		
MDG PF Opening Balance								
Cash & Bank								
Receivable								
Total								
Receipts from Development Partner during the reporting period								
- MOFED								
- Development Partner 1								
- Development Partner 2								
- Total Receipts in period								
MDG PF Available for use (Opening Balance plus Receipts)								
Expenditures								
- Health extension package								
- Service Delivery								
- Procurement of health commodities								
- Health systems strengthening								
Total MDG Fund Expenditure								
Closing MDG PF Balance								
Cash & Bank								
Receivables								
Payable								
Total								

C.2: Proposed format for quarterly financial and activity report format

MDG PF /PBS/ Eligible Activities	Budget		This Quarter				This fiscal year						Cumulative project life					
			Expenditure		%		Budget		Expenditure		%		Budget		Expenditure		%	
	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS
Health Extension Package																		
A																		
B																		
Z																		
Total																		
Service Delivery																		
A																		
B																		
Z																		
Total																		
Procurement of Public Health commodity																		
A																		
B																		
Z																		
Total																		
Grand Total																		

C3: MDG fund Bank reconciliation format

MDG Fund Bank Reconciliation: For the month ended (date)				
Item	Book Account			Bank Account
	MDG Fund	PBS	Total	
Opening Balance				
Add Income or deposit				
Total Available				
Deduct				
Payment or Withdrawal				
Un adjusted Closing Balance				
Add				
Out standing Deposit				
Bank Collection				
Error				
Total				
Deduct				
Outstanding Check				
Unrecorded bank service charge				
Error				
Total				
Adjusted Closing Balance				

C4: Schedule for Disbursement: For the month ended (date)

No	Development Partner	Committed		Disbursed		Variance		Reason for variance
		MDG Fund	PBS	MDG Fund	PBS	MDG Fund	PBS	
1								
2								

C5: Schedule for Receivable For the month ended (date)

No	Name	Balance				Remark
		Dr.		Cr.		
		MDG Fund	PBS	MDG Fund	PBS	

C6: Six Months Cash Flow Forecast

MINISTRY OF HEALTH MDG PF EXPENDITURE FORECAST AND CASH REQUIREMENT FOR THE SIX MONTHS FROM _____ TO _____				
PARTICULARS	QTR 2 in Birr	QTR 3 in Birr	TOTAL in Birr	TOTAL in USD
<i>Expenditures for the next six months:*</i>				
<i>Sub program xxxx</i>	xxx	xxx	XXXX	
<i>Sub program xxxx</i>	xxx	xxx	XXXX	
<i>Sub program xxxx</i>	xxx	xxx	XXXX	
<i>Sub program xxxx</i>	xxx	xxx	XXXX	
<i>Sub program xxxx</i>	xxx	xxx	XXXX	
Quarter total	XXXX	XXXX		
<i>Total planned expenditures for the next six months</i>			XXXX	XXXX
<i>Balance as the end of the previous quarter (QTR 1):</i>				
Cash at bank		XXXX		XXXX
Cash on hand		XXXX		XXXX
Receivables-Advance payments		XXXX		XXXX
Sundry payables		(XXX)		(XXX)
			<u>XXXX</u>	<u>XXXX</u>
Net cash required			<u>XXXX</u>	<u>XXXX</u>

Prepared by: _____ Checked by: _____ Approved by: _____

Annex D: Quarterly activity and Semi Annual Performance Reporting Formats

D.1 MDG Fund Quarterly Activity Report Format

No	Main components	Activities/ processes	In the quarter		Cumulative up to this quarter				
			Planned	Achievement	Plan	Achievement	Status of Achievement (1, 2 or 3)*	Challenges and Constraints, if any	Recommended actions and by whom
1	Health Extension Program	a.							
		b.							
		z.							
2	Health Service Delivery	a.							
		b.							
		z.							
3	Procurement of health commodities	a.							
		b.							
		z.							
4	Health Systems Strengthening	a.							
		b.							
		z.							

Note: 1 denote activities performed on schedule; 2 behind schedule and 3 ahead of schedule.

D.2. Health Sector Semi-annual Performance Report

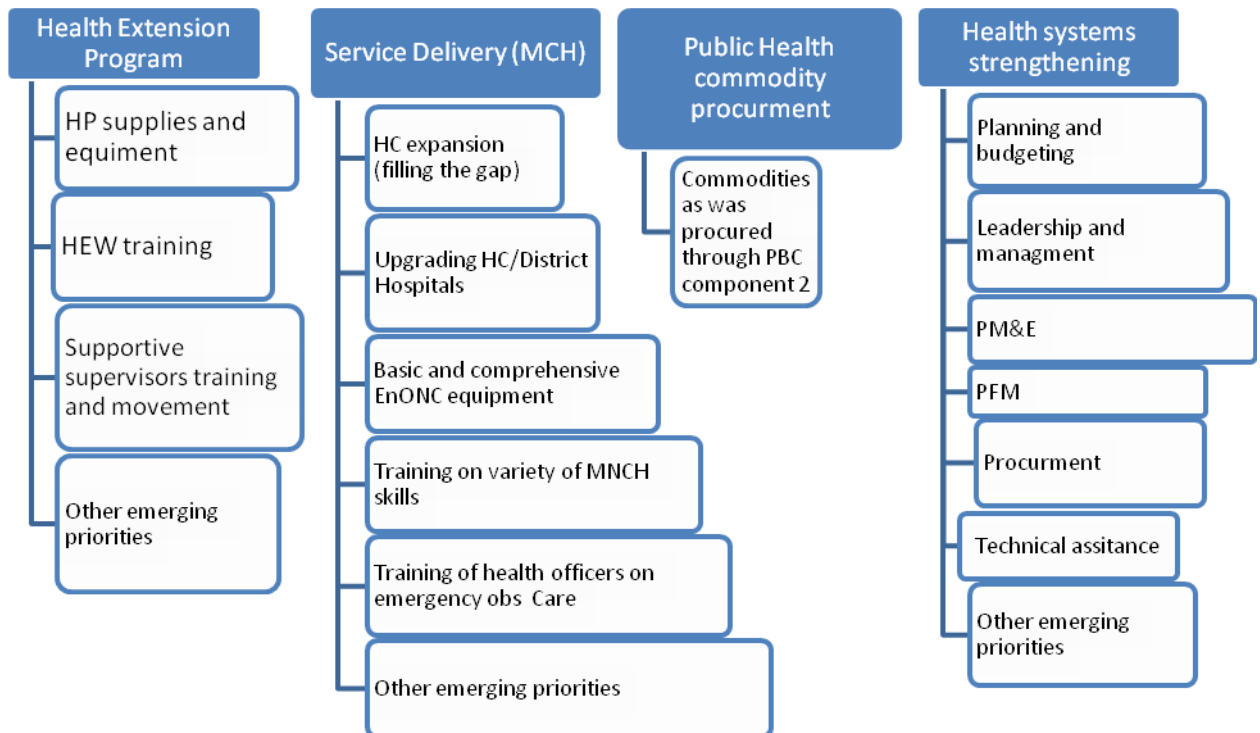
No	Indicator*	Previous year baseline*	Target set for the year*	Achievement in six months	Performance in %	Provide explanation if achievement is less than 50 % of the target

Note:

- a) Indicators that will be in the reporting list are those that have been agreed in the IHP compact and can be collected through the routine reporting system.
- b) The baseline will be taken from the performance report presented in the previous year's annual ARM ;
- c) The targets set in the core and comprehensive plans will be used.

Annex E : Illustration of eligible areas for MDG Fund support

During HSDP the MDG fund will finance the four thematic areas shown in the diagram below that are currently underfinanced, the activity of which will be prioritised and agreed up on during the annual planning process. The detailed activities shown below under each thematic area is indicative rather than prescriptive and other emerging activities can be included if found a priority by signatories.



Annex F: JFA Action Plan

Core areas	No	Actions	Responsibility	Timing			
				Before signature	Within three months	Within 1 year	Within 2 years
Key Policy Areas to be monitored through JCM		(i) Progressive implementation of a comprehensive Human Resources policy. (ii) Achieving commodity security, through implementation of the Logistics Master plan. Health financing issues (e.g. Medium Term Expenditure Framework, health fee waivers, adequacy of financing)					
Institutional and Governance	1	Add staff members to PPD to meet additional requirements for sector planning and coordination (2 staff in PPD, 2 accountants in finance and supply dept, 3 internal auditors)	FMoH Human Resource Management Dept		March 2009		
	2	Complete review of the streamlining coordinating bodies for the health sector	PPD, in consultation with DPs			June 2009	
	3	Start revitalising the governance structures for HSDP		X			
	4	Conduct the Joint Review Mission as Independent Monitoring Mechanism as envisaged by the IHP compact and agree on the timeframe	PPD				Dec 2009
Financial Management and Audit		Facility based inventory control: 1. Carry out an assessment of the current inventory control procedures for medical supplies held at facilities and make recommendations for strengthening 2. Implement recommendations to strengthen inventory control procedures at medical facilities 3. Ensure that internal audit plan provides sufficient time to audit inventory control at health facilities				X	X

Core areas	No	Actions	Responsibility	Timing			
				Before signature	Within three months	Within 1 year	Within 2 years
	6	Complete a survey of the asset management systems and controls operating in FMOH and PFSA. Propose manual solutions to resolve immediate and urgent key control weaknesses. Make recommendations regarding computer based solutions for the longer term				X	
	7	Update PFSA Proclamation to make explicit the financial management processes and reporting requirements to be adopted by PFSA	FMOH	X		End of 2001 EFY	
	8	Develop integrated IBEX reporting in standard formats for all donors and government requirement	FMOH, MoFED, Donors	X	Nov 2008		
	9	Appoint the Federal Auditor General as the external auditor for the MDG fund	FMOH	X	Nov 2008		
	10	Commission the external audit of the exiting MDG Fund (GAVI contribution) and share the report	FMOH & OFAG		April 2009		
Procurement	11	Establish links with PPA and reach agreement on annual procurement audit arrangements for the MDG performance fund by PPA	PFSA	X	End of 2008		
	12	Agree TOR and then contract expertise for the Supply chain management expert and the procurement planning expert	PFSA		March 2009		
	13	Finalise PFSA manual (including procurement thresholds)	PFSA		March 2009		
Planning and Reporting	14	Organise joint annual planning meetings between DPs and FMOH Departments (including PFSA) at the core planning stage and prior to finalising the national annual plan.	PPD			July 2009	July 2009
	15	DPs to notify annual financial commitments to the JCM to facilitate annual planning and resource mapping.	DPs & CJSC		X		
	16	Lobbying/outreach strategy developed for attracting more DPs to MDG fund through strengthening planning processes	PPD and DPs				2009
	17	Finalise the performance based contracting guideline in consultation with DPs.	PPD and DPs				2009
	18	Link the annual plan (including the procurement plan) with the	PPD				2009

Core areas	No	Actions	Responsibility	Timing			
				Before signature	Within three months	Within 1 year	Within 2 years
		budgeting in the second business plan meeting.					
	19	Integrate the procurement plan and the TA in the overall national annual plan.	PPD				2009
	20	Build the capacity of existing PPD staff on Planning and Programme coordination (e.g provide short term trainings, exposure visit etc).	PPD				2009
	21	Undertake TA need assessment of PPD and strengthen PPD capacity through coordinated TA.	PPD				2009
	22	Finalise the TA guideline in consultation with DPs.	PPD and DPs				
	23	Revitalise the National advisory committee for HMIS and continue to meet regularly to follow the role out of the new HMIS strategy.	PPD				2009
	26	Conduct two studies of impact of HSDP on social inclusion and equity (including the monitoring of the impact of the health extension programme and health care financing strategy on equity)	PPD				regular
	27	Surveys undertaken to understand the Gender desegregation of health service utilisation, morbidity and mortality	PPD				regular
	28	Launch and progressive implementation of a comprehensive Human Resources strategy					
	29	Review of DP initiatives supporting HR efforts to identify any duplications or gaps.	PPD and DPs			X	