

**AGREEMENT BETWEEN**  
**THE DANISH MINISTRY OF FOREIGN AFFAIRS**  
**AND**  
**THE ETHIOPIAN MINISTRY OF FINANCE**  
**REGARDING DEVELOPMENT COOPERATION SUPPORT**  
**TO**  
**THE CLIMATE RESILIENT FOREST LIVELIHOODS PROGRAMME**

This grant Agreement is entered into and shall be effective as of 19 December 2018 by and between the Danish Ministry of Foreign Affairs (hereafter referred to as "Danish MFA" and the Ethiopian Ministry of Finance (hereafter referred to as the "MoF").

**WHEREAS**, the Danish MFA has agreed to provide support to the MoF, with the amount of DKK 45 Million on a grant basis (hereafter referred to as "the Grant"). DKK 45 Million of the Grant will be committed upon signature of this agreement by both parties.

**WHEREAS**, commitment to international law and conflict prevention, respect for human rights, democratic principles, including free and fair elections, the rule of law, independence of the judiciary, free, transparent and democratic process, accountability and fight against corruption, sound macro-economic policies and the commitment to poverty reduction policies of the country and the Danish MFA, and constitutes fundamental principles of this Agreement;

**WHEREAS**, the Danish MFA and the MoF are committed to the principles of harmonisation and strive for the highest degree of alignment of the Grant with the budgetary and accountability system of the implementing partner and the legislation of the Government of Ethiopia so as to enhance effective implementation, reduce the administrative burden, minimise transaction costs and increase transparency and accountability;

**WHEREAS**, the MoF shall abide by the local laws and by applicable international instruments, including the UN Convention on Rights of the Child and International Labour Organization Convention,

NOW THEREFORE THE Danish MFA and the MoF have agreed as follows:

Article 1  
Definitions

For the purpose of this agreement, unless otherwise stated, the terms listed below mean the following:

- 1.1. “Parties” in the case of the Danish Ministry of Foreign Affairs refers to the Danish Embassy in Ethiopia, and in the case of the Ethiopian Ministry of Finance refers to the MoF or for both parties any other authority empowered to perform the functions exercised by said authorities.
- 1.2. “the documentation” refers to the Development Engagement Document and the partners documentation for the supported intervention which is to support MoF for the Climate Resilient Forest Livelihoods Programme. The documentation is attached as annex A to this Agreement, hence consisting an integral part hereof.
- 1.3. “Joint decision making arrangement” refers to the overall management of the programme, which is ad hoc meetings/exchange of letters between the parties as described in Article 4.
- 1.4. “Agreement” refers to the Agreement between the Danish MFA and the MoF regarding the development cooperation to support the Climate Resilient Forest Livelihoods Programme.

Article 2  
Obligations of the MoF

Under this agreement, the MoF is responsible for implementing agreed activities of the Programme, and shall hereunder:

- 2.1. Have the overall responsibility for the planning, implementation, monitoring and reporting the support to MoF for Climate Resilient Forest Livelihoods Programme (CRFL).
- 2.2. Provide the financial and other resources required in addition to the Grant, including other donors as necessary and provide financial reports that clearly show all funding to the MoF in relation to the Programme.
- 2.3. Ensure that the Grant is used in accordance with the approved annual work plans and budget. For the disbursement budget and other arrangements, please refer to the Development Engagement Document.

- 2.4. Ensure that funds under this Agreement are properly accounted for in compliance with Danida's Guidelines for the Financial Management of Development Grants, which is annexed to this agreement (please refer Annex 3), and that the Grant is reflected in the plan, budgets and accounting of the MoF.
- 2.5. Ensure that results based semi-annual and annual progress and financial reports, midterm and final narrative and financial reports, and audit reports are submitted as per the agreed schedule in the signed Development Engagement Document annexed to this agreement (please refer Annex 1).
- 2.6. Ensure that the narrative and financial report covering the Inception Phase between January and June 2019 is submitted before the end of July 2019.
- 2.7. Ensure that the narrative and financial report for the first one and half years of the programme period is submitted before the end of September 2020 as an input for the Mid Term Review scheduled in 4<sup>th</sup> quarter of 2020.
- 2.8. Ensure that final narrative and financial report of the CRFL for the programme period of four and half years, between (2019-2023) is submitted before the end of September 2023 as an input for the final evaluation scheduled in 4<sup>th</sup> quarter of 2023.
- 2.9. Ensure only expenditures made by sub-grantees are included in the budget utilisation report.
- 2.10. Statements of accounts shall be drawn up to the same level of detail as is done in the budget (reflecting any agreed changes made). The statements shall clearly state all financial information of the Programme and clearly show disbursements made by Danish MFA as well as the outstanding balance at the time of reporting. The statements shall be signed by the responsible authority and shall include a bank statement and a bank reconciliation statement.
- 2.11. Any unspent fund, interest or exchange rate gain should be returned to the Danish MFA unless otherwise agreed in writing by the two parties.
- 2.12. Exchange rate loss would be absorbed through the grant.
- 2.13. Promptly inform the Danish MFA (the Embassy of Denmark in Addis Ababa) of any condition, which interferes with or threatens the successful implementation of the CRFL Programme.
- 2.14. The MoF and its implementing partners shall maintain updated list of inventories of all fixed asset financed by MoF using the Programme support. The audit report of the MoF should always include a list of updated fixed assets used by the MoF and its implementing partners in relation with the Programme and the auditor should sign this list.
- 2.15. In order to improve traceability, the MoF should link each fixed asset with the specific programme/initiative, outcome and output.

- 2.16. The MoF should conduct an audit that covers all MoF and its implementing partners transactions of the Programme and submit a global audited financial report together with the management letter within the first six months of the following Ethiopian Fiscal year. The Audit report shall show the total income and expenditure of the Programme and breakdown by donors and whenever relevant the government contribution as well. The Programme budget expenditure report for the fiscal year should also be attached to the audited report. Danish MFA may require specific audit for Danish contributions.
- 2.17. The MoF is not allowed to make reallocations of the budget of more than 10% on a yearly basis between budget lines administered directly by the MoF as they appear in the Development Engagement Document without prior approval by the Danish MFA.
- 2.18. The MoF can only finance overhead cost using not more than 7% of the direct costs incurred by the MoF as part of the Programme.
- 2.19. Ensure that all the terms and conditions that are agreed with Danish MFA are also reflected in the agreement with the Programme implementing partners.

### Article 3

#### Obligations of the Danish MFA

- 3.1. The Danish MFA will provide the grant of DKK 45 Million that will be committed in 2018 in support of the MoF's effort to reach the outcomes and outputs as described in the annexed Development Engagement Document over the period of January 2019 to June 2023.

### Article 4

#### Obligations of Both Parties

Both parties shall:

- 4.1. Communicate and cooperate fully with the aim to ensure that the objectives and outcomes are successfully achieved and use best endeavours to optimise the use of programme resources.
- 4.2. Use best endeavours to coordinate their efforts under this agreement with other development partners, be it the states, private sector, international organizations or non-governmental organizations.
- 4.3. Cooperate in preventing corruption within and through the engagement, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law against any person suspected of misuse of resources or corruption. The parties shall immediately inform each other of any indication of corruption or misuse of resources related to the

engagement. The MoF will, if and when it is deemed appropriate, take action against suspects including immediate interdiction or suspension of such person from work, to avoid their interference with the investigations.

- 4.4. Collaborate fully to ensure that the purpose of this Agreement be accomplished. To this end, the parties shall exchange views with regard to matters relating to the engagement and provide each other with all available data, documentation and information; shall provide appropriate mutual assistance required in the discharging of the parties' duties; and provide all necessary support in particular in regard of administrative issues, to facilitate the due implementation of the support.

#### Article 5 Corruption

No offer, payment, consideration or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted – neither directly nor indirectly – as an inducement or reward in relation to activities funded under this agreement, including tendering, award, or execution of contracts. Any such practice will be grounds for the immediate cancellation of this agreement and for such additional action, civil and /or criminal, as may be appropriate. At the discretion of the Danish MFA, a further consequence of any such practice can be the definite exclusion from any projects funded by the Danish MFA.

#### Article 6 Transfer of Ownership

- 6.1. The MoF shall maintain updated inventories of all equipment financed by the Danish funds, e.g. vehicles, computers, furniture and tools.
- 6.2. Equipment, material, supplies and facilities purchased under the Danish MFA support to the MoF and used during the implementation of the CRFL Programme, e.g. vehicles, computers, furniture and tools, remain the property of the programme in the name of Denmark, until such time as the Parties may agree otherwise.
- 6.3. Transfer of ownership of the above-mentioned assets may take place during the programme period. Before the programme termination, the parties will assess and agree on final transfer of such assets, which can be justified on the basis of a final request from the MoF. Any remaining assets will be disposed of by the Danish MFA.
- 6.4. The MoF or its implementing partners are obliged to use the transferred asset funded by Denmark for at least one year starting the transfer of ownership. Disposal of the asset by the MoF or its implementing partners is possible only after at least one year of utilisation from the day of transfer of ownership.

## Article 7

### Suspension

- 7.1. In case of non-compliance with the provisions of this Agreement and/or violation of the essential elements mentioned in this Agreement the Danish MFA reserves the right to suspend further disbursements to the MoF under this Agreement. Non-compliance includes but is not limited to:
- a) The engagement develops unfavourably in relation to the development objective and immediate objectives mentioned in Article 2,
  - b) Substantial deviation from agreed plans or budget occur,
  - c) Financial management of the activities has not been satisfactory,
  - d) Information about resources to be allocated by the Ministry and by other donors are not provided as agreed.
- 7.2. If serious irregularity in the implementation, or suspicion thereof, has been ascertained, either party may suspend implementation, wholly or in part, until the suspending party decides to resume the implementation.
- 7.3. Either party have the right to cancel the agreement, wholly or in part, and have the right to demand the cancellation and contract financed under this Agreement, with immediate effect if they determines that corrupt or fraudulent practices were engaged in by the MoF or from the representatives of the Danish MFA during procurement or execution of contract, without the party in question having taken timely and appropriate action satisfactory to the party wishing the rescind of the agreement in order to remedy the situation.

## Article 8

### Settlement of disputes

- 8.1. Disputes cannot be referred to a national court for resolution.
- 8.2. Any dispute concerning the Interpretation or implementation of this Agreement shall be settled by negotiation between Parties. In case the dispute has not been settled within a time limit of one year, the matter may be referred to arbitration by either Party.
- 8.3. The arbitration shall operate according to the following rules. The number of arbitrations shall amount to a total of three, one designated by either of the Parties, i.e. two and third designated by the former two. In case dispute between the former two arbitrators as to the designation of the latter, the latter will be designated by a neutral institution to be identified by the former two.

The arbitrary award shall be submitted in written form and must be signed by all three arbitrators. The proceedings to be followed by the Court of Arbitration shall be decided on by the three arbitrators, who shall also determine the distribution between the two Parties of the costs relating to the arbitration.

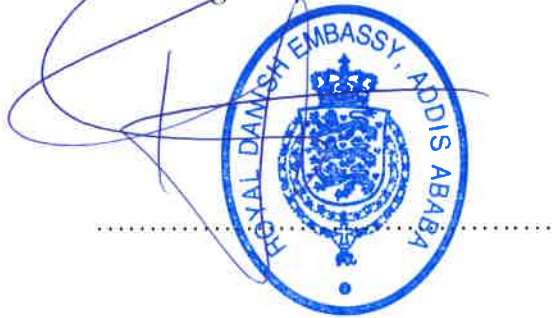
## Article 9

### Entry into force, Duration and Termination

- 9.1. This Agreement shall enter into force on 19 December 2018.
- 9.2. The cooperation between the Parties under this Agreement will have the duration as specified in the annexed Development Engagement Document. In case of delays in the implementation, the duration of the cooperation may be extended by mutual agreement and with the agreed budget.
- 9.3. Notwithstanding the previous clause, each Party may terminate the Agreement upon Six Months written notice.

In witness hereof the parties hereto, acting through their representatives duly authorised for this purpose, have this Agreement to be signed in three Originals in the English Language in December on this day of 19 December 2018.

For the government of Denmark



Karin Poulsen

Ambassador

Embassy of Denmark in Addis Ababa

For the Ethiopian Ministry of Finance



Admasu Nebebe

State Minister

Ethiopian Ministry of Finance

