

MEMORANDUM OF UNDERSTANDING ON THE AUSTRIAN-ETHIOPIAN INDICATIVE COUNTRY PROGRAMME 2008-2012

Whereas The Federal Minister for European and International Affairs of the Republic of Austria and the Government of the Federal Democratic Republic of Ethiopia (referred to as "side" or "sides") are willing to further enhance their relations in the field of Development Cooperation;

Whereas Both sides intend to develop such relations in line with the principles and modalities of the development policies of Ethiopia and according to the guidelines of the Austrian Development Cooperation;

Whereas Both sides have reached an understanding on a five years development framework for their cooperation;

The Representatives of the Federal Minister for European and International Affairs of the Republic of Austria and the Government of the Federal Democratic Republic of Ethiopia met in Addis Abeba on 21.2.2008 and held discussions and reached an understanding on the following Austrian-Ethiopian Development Cooperation Indicative Country Programme 2008-2012:

1 Purpose

In order to upgrade and enhance the existing friendly relations between Austria and Ethiopia as well as to systematically implement the development cooperation programmes, Bilateral Development Cooperation between the two countries was defined through a medium-term development framework. Since 1998, two three-year

programmes have been defined and executed; the last three-year programme 2004-2006 was extended until end of 2007. In this context, the two sides reached an understanding on the present Indicative Country Programme for the period 2008-2012.

The present Country Programme aims at:

- Enhancing the hitherto achievements of the focal areas of the Ethiopian-Austrian Development Cooperation, which are the Health sub-programme focussing on the Somali National Regional State (SNRS) and the Rural Development and Support to Food Security sub-programme focussing on the Amhara National Regional State (ANRS).
- Identifying areas for future cooperation.
- Allocating resources for all identified areas of cooperation (ongoing, pipeline and new initiatives).
- Outlining mechanisms for effective implementation of programmes.
- Outlining effective programme implementation, monitoring and evaluation mechanisms.

2 Finances of the Indicative Country Programme

Under this Memorandum of Understanding, the Austrian side will scale up its assistance during the period 2008-2012 providing a grant of € 28.5 million to the Ethiopian Government as a tentative package to be allocated for the implementation of projects in focal areas like the Health sub-programme and the Rural Development and Support to Food Security sub-programme and non focal areas like energy and good governance designed to provide complementary support to the sub-programmes. Sufficient new resources for the Health (€ 5,2 million) and the Rural Development and Support to Food Security sub-programme (€ 8,2 million) will

enable them to leave a visible impact in North Gonder Zone (ANRS) as well as the target woredas in the Somali region. € 11,5 million for the next five years will be used to support the PBS (or if situation allows DBS) depending on negotiations with MoFED, € 3 million will be committed for various activities in the energy sector and € 0,6 million for the Democratic Institution Programme (DIP).

Tentative Allocation of Resources and Sub-programmes of Interventions

	Description	Allocation (in million €)	% of the Grant
Focal areas	Rural Development and Support to Food Security	8,20	29
	Health	5,20	18
	Protection of Basic Services (PBS) or Direct Budget Support (DBS)	11,50	40
Non focal areas	Energy	3,00	11
	Democratic Institution Programme (DIP)	0,60	2
	Total	28,50	100

3 Focal areas

Both sides have reached an understanding to concentrate their joint development cooperation efforts on limited areas of intervention, which will receive the available resources. The selection of each sub-programme stems from the current five year National Development Plan (PASDEP) and the analysis jointly conducted during the definition of the first Ethiopian-Austrian Indicative Country Programme, assessment of the two implemented Indicative Country Programmes and the acquired experience and the principles and rationale of the Ethiopian Government and the Austrian Development Cooperation.

3.1 Rural Development and Support to Food Security

Rural development and food security are important aspects of Ethiopia's national development plans. The first Food Security programme of the Government of Ethiopia was adopted in 1996 in order to narrow the "food gap" within five years. It was followed by Ethiopia's Poverty Reduction Strategy Programme (PRSP) process, which began with the Sustainable Development and Poverty Reduction Programme (SDPRP) covering three years, 2002/03-2004/05. Presently, the Government of Ethiopia is implementing the second phase of the PRSP process "Plan for Accelerated and Sustained Development to End Poverty (PASDEP) covering a five year period, 2005/6 – 2009/10. The PASDEP carries forward important strategic directions pursued under SDPRP including the development of the agriculture sector as an engine for rural development and food security with the following major components:

- Improvement of Crop Production and Productivity.
- Livestock Development and Improvement of Animal Health Services.
- Natural Resource Conservation and Management.
- Agricultural Research and Extension.
- Building household assets through on-farm activities.
- Supporting voluntary resettlement to more productive areas.
- Safety Net Programme, to help bridge food gaps while building community assets, and.
- Introducing non-farm activities.

The Austrian Rural Development and Support to Food Security sub-programme will build on the previous Food Security sub-programme (FSS) of the Austrian side and on its different projects implemented during the last ten years in North Gonder Zone (NGZ). Based on an independent evaluation conducted in 2006 and recognized by the regional institutions of ANRS notably BoFED, these projects have made a

significant contribution to improving food security and to the overall livelihood of beneficiaries in North Gonder Zone. The new sub-programme will have a wider remit around sustainable resource management and will also help consolidate previous achievements, as well as support scaling-up from the best practices of FSS, leading to the overall objectives of improving livelihood in North Gonder. This consideration will link with the overall goal of "Rural Development and Food Security" component of PASDEP and Austrian development policies. Key benefits are increased in household incomes for target beneficiaries through sustainable resource management.

The backbone of the sub-programme will be the financing programme of a Sustainable Resource Management in North Gonder (SRMP-NG), that will be implemented during the timeframe of the country programme (January 2008 – December 2012). This will comprise implementation terms of three and two years, allowing the programme to adjust financially and institutionally during the second term of two years according to changing environments. The total budget for the five years will be €8.2 million, about 29% of the total budget split up into the following results framework:

- Market-oriented livestock development.
- Promotion of integrated watershed management practices.
- Identification and promotion of alternative livelihood options.
- Community based tourism development.
- Enhancement of park infrastructure and its management.
- Strengthening rural land administration; and
- Strengthening of institutional capacity through action-research and knowledge management.

3.2 Health

The Government of Ethiopia (GoE) has committed itself to give a high priority to social sector development programmes as a means of bringing about

comprehensive improvement in the areas of health and education. The Health Sector Development Programme (HSDP) is a 20-year strategic plan that lays the groundwork for a far-reaching enhancement of the health system in Ethiopia. The ultimate goal of Health Sector Development Programme III (HSDP-III) 2005/6-2009/10 is to improve the health status of the Ethiopian people through provision of adequate and optimum quality of preventive, basic curative and rehabilitative health services to all segments of the population. To achieve this ultimate goal HSDP-III focuses on the following components

- Health Service Delivery and Quality of Care.
- Access to Services: Health Facility Construction, Expansion and Transport.
- Human Resource Development.
- Pharmaceutical Service.
- Information, Education and Communication.
- Health Management Information system and Monitoring and Evaluation; and
- Health Care Financing.

The Austrian support mainly focuses on the implementation of HSDP-III in Somali National Regional State with special emphasis to pastoralist health extension programme. The backbone of the sub-programme will be a financing programme entitled "Support to the implementation of the Health Sector Development Programme in the Somali National Regional State" disbursed over a period of five and a half years in two phases. The first two years and six months of the programme July 1, 2007 to December 31, 2009, regarded as phase one will primarily focus on formation of functional woreda health offices, building up and strengthening their capacities for smooth handing over of the complementary activities whereas the second phase of the programme, will focus on consolidation of the first phase. Ongoing complimentary activities will be fully phased out during the first phase of the financing programme. Special support to pastoralist health extension both at federal as well as regional level will be started within the second phase through a separate

pastoralist health extension programme. This programme will provide tailor made services to the pastoralists and will be implemented by MOH/SRHB.

Furthermore, along with other development partners the Austrian side supports key processes of HSDP-III such as monitoring and evaluation at national level through the Health Pooled Fund (HPF)-II.

The total amount allocated within the current country programme under the health focal area is € 5,2 million, which is about 18% of the total budget.

4 Support to PBS/DBS

New uncommitted funds of up to €11, 5 million, which is about 40% of the total budget for the next five years, will be used for the support of PBS (or if situation allows DBS) depending on further negotiations with MoFED.

5 Non focal areas

5.1 Energy

Activities under this non focal area are directed to rural electrification, capacity building and transfer of technology. A rural electrification programme in North Gonder Zone will be linked to the Austrian Rural Development- and Support to Food Security sub-programme. The total amount allocated within the current Country Programme is € 3 million, which is about 11% of the total budget.

5.2 Governance

Under governance the contribution of the Austrian side to the Democratic Institutions Programme (DIP) will mainly focus on support to the development of key government organizations that play a role in strengthening institutional frameworks of democratic governance in Ethiopia. This contribution is based on a formal agreement with MoFED. The total amount allocated € 0, 6 million, which is about 2% of the total budget.

6 Implementation/ Disbursement Modalities

Both sides reached an understanding that specific arrangements will be concluded for each project/ programme prior to their implementation.

Both sides also reached an understanding to disburse the funds through standard channelling procedures, i.e. transfer to the Ministry of Finance and Economic Development (MoFED) for PBS/DBS, subject to the provision of paragraph 4 above; transfer to the Regional Bureau for Finance and Economic Development (BoFED) for the Rural Development and Support to Food Security sub programme and transfer to the Somali Regional Health Bureau (SRHB) for the Health sub programme. Funding for activities of the non focal areas is either pooled funding or directly transferred to contractors or suppliers.

7 Responsible Authorities

On the Ethiopian side, the overall coordination of the Country Programme will be entrusted to the Ministry of Finance and Economic Development (MoFED). MoFED will be responsible for the coordination with other central and regional government bodies, involved in the implementation of specific projects and programmes.

On the Austrian side, the overall management of the Country Programme will be entrusted to the Austrian Development Cooperation of the Ministry for European and International Affairs, represented by the Austrian Embassy Development Cooperation Office in Addis Abeba, Ethiopia.

Both sides will regularly follow the implementation of activities. Projects and/or programmes will be jointly evaluated and progress reports will be discussed. Bilateral consultations will be held at mid-term in order to review the implementation and at the end of this five year programme in order to review the overall programme and reach an understanding on the next programme.

8 Modifications

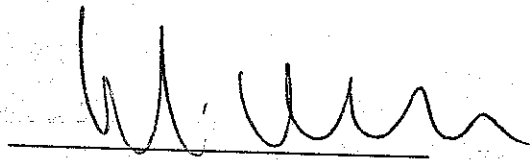
The Country Indicative Programme may be modified upon review as deemed necessary by consent of both sides and the resulting modifications will be annexed to the Programme.

9 Effectiveness

This Indicative Country Programme is effective for a period of five years, i.e. 2008-2012.

Signed in Addis Abeba on 21.2.2008 in the English language in two original copies.

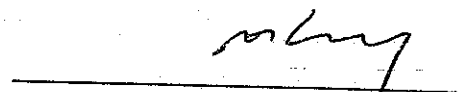
For the Federal Minister for European
and International Affairs of the Republic
of Austria



Ambassador Dr. Hans Winkler
State Secretary in the Federal Ministry
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For the Government of the
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