



**Official Launch & Signing Ceremony of the Joint Financial Agreement
between
The Federal Democratic Republic of Ethiopia & Development Partners**

15 April 2009, Addis Ababa

**JOINT STATEMENT OF THE GOVERNMENT OF ETHIOPIA
AND SIGNATORY DEVELOPMENT PARTNERS**

Today marks an important milestone in the purposeful journey upon which we jointly embarked in August, 2008, when Ethiopia became the first to sign a Country Compact within the framework of the International Health Partnership (IHP+). At the core of the Ethiopian IHP Compact is a joint ambition to accelerate progress towards the health related Millennium Development Goals and improve the health of all Ethiopians.

Considerable groundwork towards harmonization of donor assistance to the health sector had in fact, already taken place in the preceding years. The signing of the *Harmonization and Alignment Code of Conduct* in 2005 was key among the initiatives that paved the way to Ethiopia's engagement with the IHP+. The Joint Financing Arrangement (JFA) which is officially being signed today by the Government of Ethiopia (GOE) - represented by the Federal Ministry of Health (FMOH) and the Ministry of Finance and Economic Development (MOFED) – and the first seven of Ethiopia's major Development Partners (DPs) represents a significant step forward in the implementation of this Compact.

Over the eight months since it came into effect, country partners have made significant strides in implementing this landmark Compact – a broad-based agreement between the GOE and diverse multilateral and bilateral DPs -- which now serves as the overarching framework for coordinating all funding support to Ethiopia's health sector. The initial implementation steps involved jointly reviewing and re-costing our existing plans and identifying current funding gaps. We found that an additional USD 2.8 billion over two years would be needed in order to achieve Ethiopia's Millennium Development Goal (MDG)-based targets prioritized in the country's Health Sector Development Plan (HSDP). It was clear that filling this financial shortfall would require not only increasing overall resource commitments, but also channeling the resources available in an expedient, predictable and harmonized manner.

Key among our Compact's provisions is the agreement to channel all funding support for health through the Government's 'preferred vehicles' – mechanisms which allow both for greater predictability in the flow of resources and optimal flexibility in their allocation, thereby ensuring the **most effective use of every dollar invested in improving the health conditions of Ethiopians**. The JFA being signed today provides a comprehensive framework for realizing this harmonization goal by mainstreaming and reinforcing the use of such funding schemes, primarily the Millennium Development Goal Performance Fund or 'MDG Fund'. The MDG Fund is an innovative pooled funding mechanism established within the framework of Ethiopia's IHP Compact. It was expressly designed to facilitate the mobilization and steady channelling of additional resources for financing high-impact interventions in order to accelerate progress towards the MDG-based





targets. The MDG Fund is managed by the FMOH, following established government procedures which ensure transparency and accountability. In line with the Compact, all new initiatives will be requested to channel their support for health system strengthening, essential health commodities and capacity building through the MDG Fund. Partners already investing in these areas have also agreed to make progressive transition to this MDG Fund pool arrangement.

The JFA clearly sets out the purpose and scope of the MDG Fund. It stipulates the respective roles and responsibilities of the FMOH and DPs as well as the relevant rules, procedures and institutional arrangements for channelling resources through this vehicle. It further outlines priority interventions eligible for financing through the MDG Fund, including health system strengthening, procurement of essential health commodities and capacity building activities. Finally, it also specifies the joint planning and decision-making processes related to the allocation of MDG Fund pooled resources, including the relevant functions of the existing governing bodies established in the context of our Country Compact.

The crafting of this JFA involved a great deal of hard work, constant dialogue and tough negotiations. Representatives of DPs and the FMOH worked tirelessly and collaboratively not only in hammering out consensus on its specific provisions, but also in finding solutions to some of the bottlenecks we encountered along the way. The finalization of the JFA was accelerated by the outcome of an independent appraisal of our Compact implementation progress commissioned at the beginning of this year. While the assessment revealed a well-functioning partnership overall, it also underscored some of the remaining uncertainties which were impeding progress and areas requiring substantial strengthening in order to accelerate operationalization of the MDG Fund. The main concerns raised related to financial management capacities, procurement procedures as well as issues of social equity and inclusion – key areas which constitute the fundamental 'pillars of trust' established between the GOE and DPs. Frank discussion of these among all partners, both in-country as well as at the high-level IHP+ Ministerial Meeting held in Geneva in February, 2009 yielded practical remedies which helped in ironing out all the remaining technical issues, including by further clarifying institutional arrangement and putting in place appropriate capacity building measures. Prompt, joint action to resolve these practical constraints has further bolstered our partnership's substantial stock of trust, without which finalization of this wide-ranging JFA would not have been possible.

The first seven signatory DPs of this JFA – the **Department for International Development (DFID, UK)**, the **Spanish Development Cooperation**, **Irish Aid**, the **United Nations Children's Fund (UNICEF)**, the **United Nations Population Fund (UNFPA)**, the **World Bank** and the **World Health Organization** represent a diverse cross-section of Ethiopia's longstanding bilateral and multilateral partners who have been providing substantial support to the country's health sector. The sheer diversity in the organizational structures and *modus operandi* of these agencies who have come together to officially endorse this wide-ranging agreement today, is in itself an indication of the considerable harmonization of perspectives that has already taken place among these institutions. We are thus confident that all other partners will promptly follow suit in officially endorsing this framework for concrete harmonization action at the country level.

In sum, this JFA represents a groundbreaking achievement of which we should all be proud, especially given the considerable hurdles we have had to overcome in its development and finalization. Going forward, we are mindful, that the MDG Fund – which becomes operational with the signing of this JFA, can ultimately only be



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effective in achieving harmonization and accelerating progress towards the MDG targets if all partners commit to phasing out their support through other less aligned channels and use this pooled arrangement as means of consolidating all their health sector investments. We believe that the important lessons we have learned throughout the development of this JFA will greatly facilitate our continued efforts to make our Compact's core principle of 'one plan, one budget and one report' a reality in Ethiopia. Our experiences may also help other countries who have already joined or are considering signing up to the IHP+. In turn, we will continue to look to the experiences of other IHP+ Compact countries, in further refining and making appropriate amendments to this 'living document' as we work to translate it into practical action.

"We view this Joint Financial Agreement as our Compact's first major 'blueprint for action'. We now can claim common ownership of this living document which details in practical terms the 'how' of what we have agreed to do in our Compact. We are fortunate to have so many dedicated partners without whose steadfast support and hard work we could not have moved this quickly and this far. I commend all those involved in its development and finalization and look forward to seeing it translated into concrete action in order to accelerate progress towards our MDG-targets."

Hon. Minister Dr. Tedros Adhanom, Minister of Health, Ethiopia

"Ultimately, our Compact's success will depend on sustaining this genuine partnership and the willingness of all partners to make the difficult departure from 'business as usual' – the challenging 'behavior change' that is required to maximize impact and accelerate our collective progress towards the MDGs to which we are all committed..."

UK Department for International Development.

"We have come a long way from the signing of the code of conduct in realising the harmonisation agenda in the health sector in Ethiopia.....this JFA marks the sailing of the ship and its future navigation depends on maintaining the momentum, sustaining the partnership and mutual accountability with the aim of improved health for poor people in Ethiopia..."

Irish Aid

"This JFA marks an important step forward in realizing the harmonization and alignment agenda embodied in the Paris Declaration at the country level... Ethiopia's MDG Fund stands to serve as an effective model for sensible financing whereby funding goes directly towards countries' national plans and priorities..."

Spanish Cooperation





"...especially given the current global economic downturn, the substantial efficiency gains that can be made through increased harmonization and alignment and supporting integrated health systems strengthening approaches will be key to accelerating our collective progress towards the health MDGs. We are pleased to have been engaged in efforts to this end in Ethiopia ..."

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"It is important that we use such occasions to take stock of the considerable progress we have made in the implementation of our Compact and to officially reaffirm our collective commitment to our shared objectives of accelerating progress towards the health MDGs in Ethiopia..."

UNFPA

"As a signatory of the JFA, we (UNICEF) look forward to work with the government and the development partners to enhance our shared accountability and efficiency to deliver better results for women and children through an harmonized support to the priorities of HSDP3 and the future HSDP4..."

UNICEF

"As the first country to sign an IHP+ Compact, we are mindful that Ethiopia is regarded as among the pathfinders in this arena...We have come a long way in navigating this new terrain, successfully overcoming significant hurdles along the way..."

WHO



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