

Memorandum of Understanding

BETWEEN

THE DIRECTORATE GENERAL FOR DEVELOPMENT CO-OPERATION
OF THE ITALIAN MINISTRY OF FOREIGN AFFAIRS

AND

THE PALESTINIAN NATIONAL AUTHORITY-MINISTRY OF FINANCE

ON THE PROJECT:

Strengthening National Early Recovery and Reconstruction Plan of Gaza

Preamble

The Directorate General for Development Co-operation of the Ministry of Foreign Affairs and International Cooperation of the Italian Republic (hereinafter "DGCS") and the Palestinian National Authority – Ministry of Finance (hereinafter "MoF"), hereinafter referred to as the "Parties", have decided to enter into this Memorandum of Understanding, hereinafter referred to as the "MoU", for the implementation of the Project "*Strengthening National Early Recovery and Reconstruction Plan of Gaza*".

- WHEREAS a strong relationship is established between the Italian Government and the Palestinian National Authority, in particular through the implementation of significant bilateral cooperation initiatives.
- WHEREAS On November 23rd 2012, the *Development Cooperation Framework Agreement between the Government of the Italian Republic and the Palestinian National Authority* has been signed by both Parties
- WHEREAS the Palestinian National Authority "*The National Early Recovery and Reconstruction Plan for Gaza*" *International Conference in Support of the Reconstruction of Gaza, Cairo October 2014*
- WHEREAS During Cairo International conference in Support of the Reconstruction of Gaza the Italian Ministry of Foreign Affairs and International Cooperation announced an overall pledge of 15.000.000,00 Euro for Gaza Reconstruction
- WHEREAS the DGCS and the Palestinian Ministry of Finance have agreed to allocate the above mentioned pledge for Strengthening Reconstruction and Improving of Housing of low income people in Gaza Strip

WHEREAS The DGCS Steering Committee ("Comitato Direzionale") has approved the Project "Strengthening National Early Recovery and reconstruction Plan in Gaza Strip" on 24TH July 2015 (Decree Number 119)

WHEREAS the DGCS strives to comply with the Paris Declaration Principles of Aid Effectiveness, including strengthening Palestinian National Authority's ownership of the development process by providing technical cooperation that supports social- economic sector capacity development requirements.

The Parties hereby agree to implement the Initiative according to the following:

Article 1. Purpose of the MoU

- 1.1 This MoU establishes the mutual obligations of the Parties concerning the financing and the implementation of the Project.
- 1.2 In this context, it defines modalities and procedures for management, crediting, disbursement, procurement, monitoring, evaluation and reporting related to the Project.

Article 2. Parts of the MoU

- 2.1 This MoU consists of 12 Articles and two annexes:
 - Annex 1 - Project Document.
 - Annex 2 - Procurement Guidelines
- 2.2 The above-mentioned annexes will be considered an essential and substantial part of the MoU. In case of inconsistency, the articles herein shall prevail over the annexes.

Article 3. Project description

- 3.1 The Project aims at strengthening the Housing Sector in Gaza, supporting reconstruction, rehabilitation and improving low-income people's housing.
- 3.2 General Objective. The Project contributes to strength the National Early Recover and Reconstruction Plan in the Gaza Strip through Community Neighborhood Planning, Urban Requalification, Self-Help Reconstruction of partially damaged houses, Reconstruction of Destroyed Houses and Construction of Houses for low-income people.
- 3.3 Specific Objectives. As described in the Project Document, within the time span of the intervention, the Project aims at achieving the following:
 - Improve life conditions for displaced people and low-income people
 - Improve the capacity of the Palestinian Authority to develop environmental sustainable and participatory Neighborhood Planning in land use;
 - Improve sustainable and inclusive buildings, low energy building through the use of appropriate technologies in the Housing Sector
- 3.4 The Project includes a Soft Loan component (amounting to Euro 15 millions) and a Grant component (amounting to Euro 1.450.000, 00).
- 3.5 The Soft Loan component, its purpose and conditions are regulated by a specific agreement – Financial Agreement – signed by MoF and by the financial institution appointed by the Italian Government.

- 3.6 Part of the grant component, amounting to Euro 1.360.000, 00, will be transferred to MoF as earmarked budget support for the benefit of the Ministry of Public Works and Housing. The remaining part of the grant component, amounting to Euro 90.000,00 will be managed directly by the DGCS ("fondo in loco").
- 3.7 All transactions of the Project shall be recorded in financial reports issued by the Ministry of Public Works and Housing, according to Art. 5 and Art. 9 of the present MoU.
- 3.8 All financial reports of the grant component shall be audited by an independent Chartered Accountant in accordance with internationally accepted audit standards (IFAC and INTOSAI). The cost of auditing services will be borne by the DGCS while MoF will be the contracting authority. The terms of reference of the Auditor will be drafted by the Ministry of Public Works and Housing with Italian technical assistance and then submitted to MoF and DGCS for approval.

Article 4. Management structure and procedures

- 4.1 The main Institutions and Bodies involved in the implementation of the Project are:
- 4.1.1 **Palestinian National Authority side:**
- (a) The Ministry of Finance, acting as the Palestinian counterpart for this MoU, ensuring that all Palestinian bodies involved in the project will fulfill their obligations;
 - (b) The Ministry of Public Works and Housing, acting as the Executing Agency for the activities reported in the project document;
- 4.1.2 **Italian Authority side:**
- (a) The DGCS, acting as:
 - the Italian Counterpart for this MoU, ensuring that all Italian bodies involved will fulfill their obligations;
 - the financing body;
 - the provider of the Italian Technical Assistance through a pool of Italian experts which will be based *in loco*;
 - part of the project control system.
 - (b) The Consulate General of Italy (CGI)/Development Cooperation Unit (UTL) that will contribute to the supervision of the overall project implementation.
- 4.2 The Parties, having properly informed all the above-mentioned Institutions, will provide them with a copy of the present MoU. The Parties will ensure that such Institutions will fulfill, for what concerns each of them, the obligations of the MoU.
- 4.3 The Project will be managed on the basis of the annual Operational/Financial Plan, prepared by the Ministry of Public Works and Housing and Italian Technical Assistance in accordance with the activities planned and described in the Project Document (Annex 1).
- 4.4 Two bodies will be created for Project management purpose:
- a) An Operational Team (OT) composed by:
 - the Italian project coordinator
 - the Ministry of Public Works and Housing planning unit officer assigned to the Project

This Team will provide technical assistance for the workout of the Operational Plans, involving all different responsible staff, and for the operational and administrative management of the Project, and will organize the regular meetings for Project monitoring and evaluation. More specifically the Operational Team will be responsible of:

- preparing the Operational Plans, submitting and presenting them to the Advisory Committee (see below) for discussion, revision and endorsement
- producing technical and financial progress reports (mid-term and final) on activity implementation and resource utilization

b) **Advisory Committee (AC)**, composed by:

- a representative of the MoF
- two representative of the Ministry of Public Works and Housing
- two representatives of the Italian side, one from the Consulate General of Italy in Jerusalem and the other from Italian Development cooperation Unit.

This structure will analyze and approve Operational Plans, activity and financial reports will outline solutions to problems faced during project implementation, will support and orient decision making process, according to updated priorities and needs. Staff members of the OT could participate in the AC meetings, following specific request form AC group. More specifically the AC will be responsible for analyzing and approving:

- Operational Plans
- Project administrative documents, in particular those related to biddings
- budget, balance sheets, payments

- 4.5 The AC may take benefit of inputs and proposals coming from different stakeholders, such as: Ministry of Social Affairs, Ministry of Women Affairs, Ministry of Labour/PFESP, Women Business Associations and Cooperatives' Associations, Municipalities, CBO's and any other institution and/or body working on the project priorities.
- 4.6 The Ministry of Public Works and Housing, with the active support of the Italian Technical Assistance, will act as technical office of the project and will be in charge of implementing the activities described in the Project Document (Annex 1).
- 4.7 AC meetings will be held on a six-month basis and will approve the Operational Plan provided by the Ministry of Public Works and Housing. Additional meetings may be called by the AC chairperson, upon agreement with the other members. Decisions will be taken by consensus based on voting procedures.
- 4.8 Procurement procedures related to the execution of the Project (grant and soft loan components):
- 4.8.1 The procurement procedures related to the execution of the project shall be carried out under the responsibility of the Ministry of Public Works and Housing with the support of Italian Technical Assistance.
- 4.8.2 Purchase of goods and services not exceeding EUR 40.000,00 (forty thousand Euro) under the present MoU will abide to the rules and procedures of the PNA.
- 4.8.3 Procurement activities, for amount exceeding Euro 40.000,00 (forty thousand Euro) shall abide to the rules and procedures set forth in the "Practical Guide to contract procedures for EU external actions" (PRAG) latest edition and in compliance with the Eligibility Criteria, Ethical Clauses Contracts General Principles (Annex 2).

Article 5. Financial conditions

- 5.1 The soft loan referred to in Article 3 shall have a level of concessionality equal to 60%. In 2015, the financial conditions that correspond to such level of concessionality are the following:
- Interest rate: 0.00% (zero per cent) per annum.
 - Repayment period: 40 years out of which 27 years of grace period, to be reimbursed in equal, consecutive and deferred instalments.

Article 6. Financing under the credit line

- 6.1 The soft loan referred to in Article 3 shall be used to finance civil works as well as goods and services of Italian origin, procured through competitive biddings carried out according to the latest edition of the "Practical Guide to Contract Procedures for EU External Actions" (PRAG) and in compliance with the Eligibility Criteria, Ethical Clauses Contracts General Principles (Annex 2).
- 6.2 A maximum amount of **95%** (ninety-five per cent) of the soft loan may be utilized to cover the purchase of goods and services from the local market (including cost of local works), from neighbour countries and/or from OCSE countries.

Article 7. Disbursement procedures of the earmarked budget support funds

- 7.1 The financial resources amounting to Euro 1.360.000, 00 will be transferred by the DGCS to MoF as earmarked budget support for the benefit of the Ministry of Public Works and Housing. The Italian Authority will provide formal communication to the MoF, after this MoU becomes effective.
- 7.2 Funds will be transferred by the DGCS to a dedicated Single Treasury Account (STA) to be opened by MoF at the Bank of Palestine of Ramallah Branch n.02067770 and named Single Treasury Account – *Strengthening National Early Recovery and Reconstruction Plan of Gaza (SNERRPG)*
- 7.3 The MoF will in turn transfer the funds to a Special Account at the Bank of Palestine of Ramallah Branch n. 2219899, opened by/for the Ministry for Public Works and Housing, and named 'Special Account – Strengthening National Early Recovery and Reconstruction Plan of Gaza hereinafter referred to as "Special Account".
- 7.4 The Special Account will be managed by the Ministry of Public Works and Housing; the same Ministry, according to the Operational Plan, will prepare detailed Quarterly Work Plans for the proposed quarterly expenditures.
- 7.5 Release of the earmarked budget support funds. This release will be performed after the signature of this MoU, and following a specific request from the MoF, containing the bank account details, as per above paragraph 5.2.
- 7.6 The Ministry of Public Works and Housing will have responsibility on: accounting system, financial management, expenditure tracking and records filing, and will provide to the MoF and DGCS full accessibility to all documents, for financial reconciliation purpose.
- 7.7 Interest accrued on DGCS funding shall be fully accounted for in the Project Special Account and tracked in the financial records. These funds can only be used for the benefit of the project, for implementing its activities, after formal agreement between the Parties.
- 7.8 At conclusion of the activities to be implemented through the earmarked budget support funds, a Final Technical and Financial Report, as described at Art. 9 will be prepared by the Ministry of Public Works and Housing and submitted to the MoF and DGCS, after analysis and endorsement by the AC.
- 7.9 The Final Technical and Financial Report shall be complemented by a report audited by an independent Chartered Accountant in accordance with internationally accepted audit standards (IFAC and INTOSAI).

- 7.10 After completion of the Project activities to be implemented through the earmarked budget support funds, any unused money shall be returned to the DGCS.
- 7.11 The MoF and DGCS may, either jointly or separately, at any time during the duration of this MoU or any renewal or extension thereof, evaluate the implementation of the Project. The cost of such evaluation shall be borne by the Party initiating such evaluation.

Article 8. Disbursement conditions and implementation procedures of the Soft Loan

- 8.1 The disbursement of the soft loan referred to in Article 3 shall be subject to the following conditions:
- Procurement of goods, works and consultants' services related to the project shall be in accordance to the latest edition of the "Practical Guide to Contract Procedures for EU External Actions" (PRAG) and in compliance with the Eligibility Criteria, Ethical Clauses Contracts General Principles (Annex 2).
 - The above mentioned procedures can be restricted to the Italian Companies ensuring, inter alia, that the tender shall be advertised in Italy according to the provisions of the above mentioned Eligibility Criteria, Ethical Clauses Contracts General Principles (Annex 2);
 - Each contract shall be consistent with the Project Document (Annex 1) and the Project Description as set forth in Article 3;
 - Each contract shall become effective upon approval of the DGCS through the procedure described hereafter.
- 8.2 The amount related to each contract financed under the provision of the soft loan shall be disbursed according to the following procedure:
- Upon signature of this MoU and completion of the internal procedures, the MoF and Artigiancassa - the Italian Financial Institution appointed by the Government of the Italian Republic to disburse the loan proceeds to the Palestinian National Authority - will enter into a Financial Agreement regulating the disbursement of the soft loan referred to in Article 3.
 - Upon approval of the MoF, the Ministry of Public Works and Housing shall carry out the realisation of the Project, i.e. the preparation and launching of the bids, the execution, the monitoring and supervision of the works and the supply of goods and services, according to the Project Document (Annex 1) and in coordination with the UTL.
 - A copy of the bidding documents shall be submitted by the Ministry of Public Works and Housing to the DGCS for no objection, through the MoF, before issuing the bid request.
 - Upon approval of the MoF on the procurement procedure, the Ministry of Public Works and Housing will issue and evaluate the bids, prepare a bid evaluation report, preliminary award the contract to the selected bidder, then send all the related documents to the DGCS through the UTL. The contract(s) shall be awarded and signed after the authorization of the DGCS.
 - The soft loan disbursing procedures shall be detailed in the Financial Agreement. Artigiancassa shall disburse the funds directly to the suppliers, after the control of the supply contracts, upon request of the MoF and after administrative checks and invoices.

Article 9. Budget reallocations

- 9.1 Increasing or decreasing a budget line allocation by less than 10% of its original figure, is allowed through a decision of the AC, which shall timely communicate in writing the approved reallocation to the DGCS.

9.2 Reallocations equal to or exceeding 10% of a budget line original figure will require a written approval by the DGCS and an amendment to the present MoU.

9.3 All Budget line reallocations shall be clearly illustrated in the Project reporting documents.

Article 10 Obligations of the DGCS

10.1 To assure, through assigned staff, project monitoring, control and evaluation. Particular attention will be given to resources utilization, in relation to goals achievement within the planned timeframe.

10.2 To support, where needed, planning and training activities of technical assistance missions.

10.3 To provide a total grant fund of Euro 1.360.000, 00 to MoF as earmarked budget support for the benefit of the Ministry of Public Works and Housing. The grant fund provided as earmarked budget support will be allocated as reported in the project document (Annex 1).

10.4 The fund of Euro 1.360.000, 00 will be transferred to the Special Account, in one instalments, as described in Art. 7.6.

Article 11 Obligations of the MOF

11.1 To open the project dedicated STA bank account, as described in Art. 5.2.

11.2 To overview the management of the financial resources provided to the project by the present MoU, ensuring that funds will be used according to criteria of transparency, competitiveness and good governance.

11.3 To assure that the Ministry of Public Works and Housing will:

- Open the Special Account, as described in Art. 5.3;
- Submit to the AC the Final Technical and Financial Report forecasted by this MoU, to be forwarded to the DGCS.

11.4 To facilitate a fruitful collaboration between Palestinian institutions involved in the Project and DGCS, including the possibility of DGCS personnel to access to the Project areas and to the Project technical documentation for monitoring and evaluation purposes.

Article 12 Final Technical and Financial Report

12.1 The Final Technical and Financial Report will be composed by the following documents:

(a) The **Final Technical Report** on activities performed; this report will include:

- the overall comparison between Project expected results and the achieved ones, through the earmarked budget support funds;
- the list of actions initially planned in the endorsed Operational Plan, detailing activities, components and beneficiaries;
- a detailed description of implemented activities and achieved results, in comparison with the Operational Plan and according to agreed indicators;
- The list of all technical issues faced by the Project in the period of implementation and the solutions adopted.

- (b) The **Final Financial Report** on expenditures performed. The Final Financial Report should include:
- a copy of the approved budget for the earmarked budget support funds, as per endorsed in the Operational Plan, split according to budget items, detailing planned expenditures per activity, component and beneficiaries;
 - the list of performed expenditures on the earmarked budget support funds, split according to budget items, detailing payments per activity, component and beneficiaries and the calculated total balance;
 - an official financial statement of the Special Account, provided by the Bank of Palestine of Ramallah Branch;
 - the list of financial issues/problems faced by the Project, together with the related solutions adopted;
- (c) The **Final Procurement Report**, related to the purchase of goods and/or services. Such report should illustrate the number of procurement processes implemented in the period, as well as the bidding procedures used, their outcome and a list of issues/problems faced, with related solutions adopted.

Article 13. Impediments and Force Majeure

- 13.1 In case of impediments to the implementation of the project due to causes of force majeure recognized by both Parties according to practice (such as war, flood, fire, typhoon, earthquake, labor conflicts and strikes, acts of any government, or other causes) or in case of peril or unsafe conditions for the expatriate personnel, the following provisions shall apply:
- 13.2 Within the first 6 (six) months of impediment the Project activities shall be suspended and the residual funds shall be frozen until the impediment finishes and the DGCS authorizes resumption of Project's activities;
- 13.3 In case the duration of the impediment is greater than 6 (six) months, the Parties shall agree on the destination of the residual funds, which can be made available after exchange of letters between the Parties, notifying each other the conclusion of the internal approval procedures.

Article 14. Suspension of the disbursement by DGCS

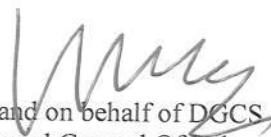
- 14.1 The DGCS reserves the right to terminate this MoU in the following events:
- 14.1.1 In case of serious non-fulfillment by the MoF and/or by the Ministry of Public Works and Housing; this includes the following events:
- Untimely project startup, i.e. within the first semester after reception of the earmarked budget support funds;
 - Extended unmotivated delays in the utilization of the DGCS granted funds, jeopardizing project implementation;
 - Utilization of DGCS granted funds for implementing activities not pertinent to the Project, as described in this MoU and in its Annexes;
 - Serious faults in the management of the DGCS granted funds, detected by the independent Chartered Accountant as per Art. 5, or by DGCS experts;
 - In case of impediments as per Art. 10.
- 14.2 In any case, the Special Account shall remain operational until all expenditures incurred by the Ministry of Public Works and Housing have been satisfied.

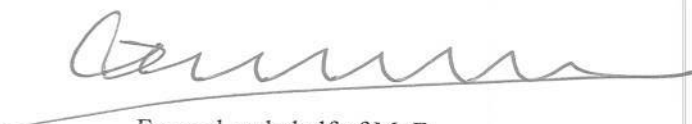
Article 15 Settlement of disputes, Amendments and Entry into force

- 15.1 Any dispute between the Parties arising out of the implementation of this MoU shall be settled amicably by consultations or negotiations between the Parties.
- 15.2 The Parties may modify this MoU, including its Annexes, at any time. Any modification must be set out in written form such as an exchange of letters by the Parties.
- 15.3 This MoU shall enter into force after the signature of both Parties notified by exchange of letters between the Parties, notifying each the conclusion of the internal approval procedure i.e. the reception of the second letter.
- 15.4 This MoU shall remain into force until project's completion and according to the soft loan repayment schedule agreed by Parties.

In witness thereof, the undersigned, duly authorized, have signed the present MoU.

Done in RADALLAH on 18/11/2015, in two originals, each in English language, both texts being equally authentic.


For and on behalf of DGCS
Consul General Of Italy
Davide La Cecilia


For and on behalf of MoF
Minister of Finance
Shukri Bishara

Annex I

PALESTINE

STRENGTHENING THE NATIONAL EARLY RECOVERY AND RECONSTRUCTION PLAN OF GAZA

May 2015

1. Project Fiche

Country	Palestine
Title of the initiative	Strengthening The National Early Recovery and Reconstruction Plan of Gaza
Total of funds	Euro 16.450.000,00 of which: 1) € 15.000.00 soft loan 2) € 1.360.000 grant 3) € 90.000,00 locally managed fund
Millennium goals	O1/A; O1/B;07/A;07/C;07/D;03;8/A
Description	The Project aims at strengthening the National Early Recovery and Reconstruction of Gaza through the reconstruction and improvement of infrastructure and housing in the Gaza Strip and, specifically in Al Nada (Beit Hanoun) and Gaza City.
Duration	36 months
Recipient	Palestinian Ministry of Public Works and Housing and Ministry of Finance
Channel	Bilateral
Financial Instruments	Soft loan Grant
Implementing actors	Palestinian Ministry of Finance and Ministry of Public Works and Housing

2. The Project

2.1 Financial outline of the project

The total amount of the project is € **16,450,000.00**

The components of the Project are the following:

- **Soft loan to Ministry of Public Works and Housing** (through the Ministry of Finance): a total amount of € 15,000,000 for reconstruction and rehabilitation of buildings and infrastructure damaged by the war in Al Nada and Italian Building in Gaza City, for improvement of housing of low income people and neighborhood requalification of Al Nada;
- **Grant to Ministry of Public Works and Housing** (through the Ministry of Finance): a total amount of 1.360.000 for Self Help Rehabilitation in Gaza Strip and for participative planning of reconstruction and neighborhood planning of Al Nada area;

Financial resources				Euro
1. Soft loan				€ 15.000.000,00
	1 st Year	2 nd Year	3 rd Year	Total
2. Grant	€ 1.360.000,00			

2.2 Description of the Project

The present Initiative aims at improving the living conditions of Palestinian population in the Gaza Strip contributing to the implementation of the National Early Recovery Reconstruction Plan of Gaza (NERPP) amounting to 4,3 billion dollars. Moreover, the Project will represent the fulfilment of Italy's pledge in the occasion of Cairo Conference for Gaza Reconstruction. The present Initiative also aligns with the planned intervention of rehabilitation of primary infrastructure in Gaza Strip to be implemented through the Emergency Programme 2015-2016 of the Italian Cooperation.

The Initiative, through reconstruction and improvement of living conditions in the Strip, also aims at requalifying Al Nada area through a neighbourhood planning process involving Municipalities, citizens as well as technical advisors. This process will allow residents of targeted areas of fulfilling their immediate housing needs, as well as participating to the redevelopment of their neighbourhood and strengthening their relation with PNA.

Moreover the Project will contribute to repairing 480 housing units partially damaged with a Self help mechanism as well as reconstructing the Italian Building in Gaza City.

The identification and planning phase will be conducted jointly by Italian experts and technicians from the Ministry of Public Works and Housing. During this phase, the experts from both sides will take into consideration a number of elements like inclusive planning and design of infrastructure as well as use of renewable energy sources or recycling of rubble and wastewater.

2.3 Beneficiaries

Direct beneficiaries of the Project will be **21.461 people**, divided as following:

- 480 families (2.280 individuals) living in Gaza Strip which will be able to rehabilitate their houses through the self-help mechanism;
- 4.781 people living in Al Nada neighborhood which will benefit from the requalification of their neighborhood and rehabilitation, construction or reconstruction of their houses;
- 12.000 people living in Al Nada neighborhood which will benefit from the requalification of their neighborhood
- 300 people living in the Italian Building before the conflict as well as 1.500 individuals working in the three commercial floors of the building.

Indirect beneficiaries of the Project will be: 7.000 people from the adjacent neighborhoods of Al Nada, the construction companies, the companies importing systems for the production of energy

from renewable sources, the entire population of Gaza City, which will benefit from the reactivation of one of its malls. Moreover.

2.4 Overall objective

To contribute to the implementation of the National Early Recovery and Reconstruction Plan of Gaza

2.5 Specific objective

Improvement of living conditions of the population of Gaza Strip through the reconstruction, rehabilitation, and construction of housing units and urban requalification

2.6 Expected Results

Grant

1. N° 480 housing units in the Gaza Strip rehabilitated through a self-help mechanism
2. Participatory planning carried out

Soft Loan

3. N° 4 building – inclusive of energetic efficiency, systems for the production of energy from renewable sources, systems for reutilization of grey water and rain water collection – reconstructed in Al Nada neighborhood (Beit Hanoun)
4. N° 3 building – inclusive of rain water collection system - renovated in Al Nada neighborhood (Beit Hanoun)
5. N° 9 building – inclusive of energetic efficiency, systems for the production of energy from renewable sources, systems for reutilization of grey water and rain water collection – constructed in Al Nada neighborhood (Beit Hanoun)
6. N° 56.087 m2 of urban area requalified in Al Nada neighborhood (Beit Hanoun)
7. Italian Building in Gaza City reconstructed (23.900 m2)

2.7 Main activities

1. Signature of the Memorandum of Understanding
2. Self-Help Rehabilitation of 480 houses in Gaza Strip
3. Participative Neighborhood Planning and participative housing planning of Al Nada
4. Finalization of tender-related documents
5. Implementation of the tender process
6. Construction of 9 new buildings

7. Reconstruction of 4 Buildings
8. Rehabilitation of 3 Buildings
9. Final testing and formal handover to the beneficiaries
10. Al Nada Urban requalification
11. Final testing and formal handover to the Municipality
12. Participative Design of Italian Building
13. Finalization of tender-related documents
14. Implementation of the tender process
15. Reconstruction of the Italian Building
16. Final testing and formal handover to the beneficiaries

3. Modalities of intervention and responsibilities of stakeholders

The present initiative will have a duration of 36 months. The Italian Cooperation's institutional partners will be the Palestinian Ministry of Finance and the Ministry of Public Work and Housing.

Concerning the modalities of intervention, the initiative includes a soft loan and a grant directly disbursed to the recipient government as well as a fund for experts providing technical assistance. To this purpose, a draft of bilateral agreement was prepared (Memorandum of Understanding - MoU), and attached to this proposal.

Grant Component: the amount of **1.360.000,00 Euro** will be disbursed according to the procedures indicated in the MoU. For the management of the grant, the Palestinian Ministry of Finance will sign a technical-financial agreement with the DGCS. The grant: will be transferred in one installment to a dedicated Single Treasury Account opened by MoF. The MoF will in turn transfers the funds to a Special Account opened by/for the Ministry of public Works and Housing.

Soft loan Component: the amount of **15.000.000,00 Euro** will be disbursed according to the procedures indicated in the annexed Agreement. The soft loan conditions, according to the update of 2015 will have a concessionality level of 60%, a repayment period of 40 years and a 27 years grace period.

For the management of the soft loan, the Palestinian Ministry of Finance will sign a technical-financial agreement with the DGCS. As detailed in the MoU, maximum 95% of the credit will be used for the realization of civil works through an international tender. The remaining 5% will be used for the procurement of goods and services within the Italian market; given the nature of the initiative.

Advisory Committee

An Advisory Committee composed by:

- a representative of the MoF
- two representative of the Ministry of Public Works and Housing
- two representatives of the Italian side, one from the Consulate General of Italy in Jerusalem and the other from Italian Development Cooperation Unit.

This structure will analyze and approve Operational Plans, activity and financial reports, will outline solutions to problems faced during project implementation, will support and orient decision making process, according to updated priorities and needs. More specifically the Advisory Committee will be responsible for analyzing and approving: Operational Plans , Project administrative documents, in particular those related to biddings, budget, balance sheets, payments.

Operational Team

Operational Team composed by:

- the Italian project coordinator
- the Ministry of Public Works and Housing planning unit officer assigned to the Project

This Team will provide technical assistance for the workout of the Operational Plans, involving all different responsible staff, also of the Municipalities' Departments, and for the operational and administrative management of the Project, and will organize the regular meetings for Project monitoring and evaluation. More specifically the Operational Team will be responsible of: preparing the Operational Plans, submitting and presenting them to the Advisory Committee for discussion, revision and endorsement; producing technical and financial progress reports (mid-term and final) on activity implementation and resource utilization.

Staff members of the Operational Team could participate in the Advisory Committee meetings, following specific request form Advisory Committee group.

4. Project financial plan

The total amount of the project is € 16,450,000.00 divided as follows:

1. Soft loan (Palestinian ministry of Finance and Ministry of Public Works and Housing)				€ 15.000.000,00
	1st Year	2nd Year	3rd Year	Total
2. Grant (Palestinian Ministry of Finance and Public Works and Housing)	€ 1.360.000,00			

5.1 Budget: Soft loan

Descriptions	Quantity	Unit Cost	Total
Al Nada Reconstruction of 4 Buildings	4	€ 570.000,00	€ 2.280.000,00
Al Nada Rehabilitation of severely damaged Buildings	3	€270.000,00	€810.000,00
Al Nada Repairing and rehabilitation of partially damaged Houses		€550.000,00	€550.000,00
Al Nada Construction of New Buildings	9	€570.000,00	€5.130.000,00
Al Nada Requalification of the Neighborhood			€1.500.000,00
Reconstruction of Alawal Complex			€4.730.000,00
Grand Total			€ 15.000.000,00

8. Timetable of project's activities

Activities	1 st Year												2 nd Year												3 rd Year																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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Annex II

ETHICAL CLAUSES

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ELIGIBILITY CRITERIA, ETHICAL CLAUSES, CONTRACT GENERAL PRINCIPLES

This Annex harmonizes the latest edition of the “*Rules and Procedures for service, supply and works contracts financed from the general budget of the European Commission in the context of cooperation with third countries*” with the fundamental principles of Italian law on procurement and development aid.

1. CONTRACTOR ELIGIBILITY

1.1 THE RULE ON OBJECTIVITY AND IMPARTIALITY

To avoid any conflict of interest, any natural or legal person, including entities within the same legal group, members of consortia, temporary associations, and sub-contractors, involved in the preparation of the Project shall be excluded from participating in tenders or from submitting offers aimed at the implementation of the Project.

1.2 THE RULE ON ECONOMIC, FINANCIAL, PROFESSIONAL, AND TECHNICAL CAPACITY

The candidates/bidders must prove that their economic, financial, professional and technical capacity is suitable for the implementation of the contract. Unless otherwise established in the Agreement, the candidates/bidders must prove:

1.2.1 *Economic and financial standing*: the total turnover of the candidates/bidders in the last three years in the same field of the bid must be at least equivalent to the maximum budget of the contract; enterprises that have been established for less than three years may prove their economic and financial standing with any document which the contracting authority may deem appropriate.

1.2.2 *Professional and technical capacity*: candidates/bidders shall provide a full record of the activities performed during the last three years; enterprises that have been established for less than three years may prove their professional and technical capacity with any document which the contracting authority may deem appropriate.

1.2.3 Italian enterprises shall qualify for works contracts pursuant to decree of the President of the Republic n. 34/2000 (and further modifications/amendments thereof). Non-Italian enterprises shall qualify according to their respective national law.

1.3 GROUND FOR EXCLUSION FOR PARTICIPATION IN CONTRACTS

Natural or legal persons are not entitled to participate in competitive tendering or be awarded contracts if:

1.3.1 They are in the conditions as referred to in the Italian Legislative Decree 8.8.1994, n. 490 ("Antimafia"). Italian tenderers/offerees must provide the evidence thereof by the "certificato antimafia", issued by the competent Italian authorities. Non-Italian tenderers/offerees must provide equivalent certificates, if issuable under their respective national law.

1.3.2 They are bankrupt, or being wound up, or are having their affairs administered by the courts, or have entered into an arrangement with creditors, or have suspended their business activities, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations.

1.3.3 They are the subject of proceedings for a declaration of bankruptcy, for winding-up, for administration by the courts, for an arrangement with creditors or for any similar procedure provided for in national legislation or regulations.

1.3.4 They or their directors or partners have been convicted of an offence concerning professional conduct by a judgement which has the force of *res judicata*.

1.3.5 They are guilty of grave professional misconduct proven by any means which the contracting authority can justify.

1.3.6 They have not fulfilled obligations related to the payment of social security contributions in accordance with the legal provisions of the country where they are established.

1.3.7 They have not fulfilled obligations related to the payment of taxes in accordance with the legal provisions of the country where they are established.

1.3.8 They are guilty of serious misrepresentation in supplying the information required by the MAE-DGCS as a condition of participation in a tender procedure or contract.

1.3.9 They have been declared to be in serious breach of contract for failure to comply with obligations in connection with another contract with the MAE-DGCS or another contract financed with Italian funds.

2. CONTRACT GENERAL PRINCIPLES

2.1 Contract award and execution shall assure proper quality of performance, and respect the principles of economical convenience, efficiency, timeliness, and fairness. Contract award must also abide by the principles of free competition, equal treatment, non-discrimination, transparency, proportionality, and, whenever possible, publicity.

2.2 Upon prior agreement of the parties, economical convenience may be counterbalanced by social fairness, protection of public health, conservation of environment, and promotion of sustainable development.

2.3 Award procedures shall be cancelled if there are fewer than three eligible candidates/bidders. In presence of adequately motivated technical reasons, even less than three eligible offers may be accepted, shall the fundamental principles mentioned in the introduction be respected.

2.4 Contracts may not be modified, unless the modification is approved by the MAE-DGCS pursuant to following clauses. Contractors are not entitled to any payment or reimbursement whatsoever for activities carried out without prior authorization. If MAE-

DGCS or the contracting authority so requires, contractors may be forced to restore, at their own expenses, the original state before the unauthorized modification.

2.5 Bidding documents shall specify the financial amount available for the contract to be awarded. This amount has to be intended as starting bid. Any offer above such starting bid shall not be considered.

2.6 Modifications of supply and service contracts shall be effective upon MAE-DGCS prior authorization, which may only be granted in the following cases:

2.6.1) modifications of applicable laws and regulations;

2.6.2) unforeseen and unforeseeable circumstances, including the implementation of new materials, components or technology not existing when the award procedure was commenced, provided that the modifications ameliorate the quality of the performance, without increasing the contract total amount;

2.6.3) events related to the nature or the quality of the goods or places where the contract activities take place, which occur during the contract execution and were unforeseeable when the contract was made;

2.6.4) unless otherwise provided, the above-mentioned modifications may not increase or reduce the total contract amount beyond 20%;

2.6.5) modifications, which, in the interest of the contracting authority, increase or reduce the total contract amount, necessary to improve the quality and performance of the project are allowed up to 5%, provided that the funding is available and no substantial modification is made; the modifications shall be only due to objective reasons, unforeseeable when the contract was made;

2.6.6) contractors may not refuse the above-mentioned modifications; such modifications shall be executed at the same contractual conditions;

2.6.7) contractors shall execute any non-substantial modification that the contracting authority may see fit, provided that the nature of the activity is not fundamentally altered and no additional costs are imposed.

2.7 Modifications of works contracts shall be effective upon MAE-DGCS prior authorization, which may only be granted in the following cases:

2.7.1) modifications of applicable laws and regulations;

2.7.2) unforeseen and unforeseeable circumstances, including the implementation of new materials, components or technology not existing when the project was made, provided that the modifications ameliorate the quality of the performance, without altering the initial project and without increasing the contract total amount;

2.7.3) events related to the specific nature of the contract activities which occur during the contract execution;

2.7.4) geological problems not predictable in the executive project;

2.7.5) errors or omissions of the project which prevent the contract implementation; in this case, the engineering consultants are responsible for the damages; the contractor may not refuse to perform such modifications if their value do not exceed 20% of the total contract amount;

2.7.6) modifications, which increase or reduce the total contract amount, necessary to improve the quality and performance of the project are allowed up to 5%, provided that the funding is available.

2.8 Contracts may not be assigned to a third party. In case of assignment, the contract shall be automatically terminated.

2.9 Subcontract is allowed up to an amount of 30% of the total contract amount. The bidding documents must specify if subcontract is allowed and the conditions thereof. Upon submitting their bids, bidders must declare which supplies/services/works they intend to subcontract. Contractors must deposit subcontracts with the contracting authority at least 20 days before commencing the execution of the subcontracts. Subcontractors must be eligible for the supplies/services/works they are assigned.

2.10 Contract prices shall be firm, fixed, and non-revisable.

2.11 Contract prices shall be denominated and paid exclusively in euros. Exchange rate risk or variations may not be subject to compensation whatsoever.

2.12 The contract shall be automatically terminated if the contractors are the subject of proceedings for a declaration of bankruptcy, for winding-up, for administration by the courts, for an arrangement with creditors or for any similar procedure provided for in national legislation or regulations.

2.13 In case of malice or grave negligence, contractors' liability may not be limited.

2.14 Contract execution shall be governed by the law of the beneficiary state.

2.15 Disputes arising between the contractors and the contracting authority shall not be submitted to the jurisdiction of the Italian courts.

2.16 Bidding documents shall include the above-mentioned principles.

2.17 The Italian party reserves the right to apply the fundamental principles of Italian law, should any legal gap arise.

3 ELIGIBLE AND INELIGIBLE COSTS

3.1 The costs included in the contract(s) shall be eligible if they are actual, economic, and necessary for carrying out the Project pursuant to Project document.

3.2 In any case, the following items shall not be considered eligible:

- a) voluptuary or luxury goods (e.g. perfumes, cosmetics, art objects, spirits, sports goods, etc.);
- b) goods, services and civil works directly or indirectly connected to police or military activities;
- c) non-income / non-profit taxes (including VAT) and import duties;
- d) provisions for outstanding debts and future losses of the beneficiary or the final users;
- e) interests owed by the beneficiary or the final users to any third party.

4. ETHICAL CLAUSES

4.1 Any attempt by candidates or bidders to obtain confidential information, enter into unlawful agreements with competitors or influence the contracting authority during the process of examining, clarifying, evaluating, and comparing tenders will lead to the rejection of his candidacy or tender and may result in administrative penalties;

4.2 Without the contracting authority's prior written authorisation, contractors and their staff or any other company with which the contractor is associated or linked may not, even on an ancillary or subcontracting basis, supply other services, carry out works or supply equipment for the Project. This prohibition also applies to any other Projects that could, owing to the nature of the contract, give rise to a conflict of interest on the part of the contractors.

4.3 When putting forward their candidacy or participating in a tender, candidates or bidders must declare that they are affected by no potential conflict of interest, and that they have no particular link with other bidders or parties involved in the Project. Should such a situation arise during the performance of the contract, the contractors must immediately inform the contracting authority.

4.4 Civil servants or other officials of the public administration of the beneficiary country, regardless of their administrative situation, must not be engaged as experts by the tenderers unless the prior approval of the MAE-DGCS has been obtained.

4.5 Contractors must at all times act impartially and as a faithful adviser in accordance with the code of conduct of their profession. They must refrain from making public statements about the Project or services without the contracting authority's prior approval. They may not commit the contracting authority in any way without its prior written consent.

4.6 For the duration of the contract, contractors and their staff must respect human rights and undertake not to offend the political, cultural and religious mores of the beneficiary state. In particular, tenderers who have been awarded contracts shall respect core labour standards as defined in the relevant International Labour Organisation conventions (such as the conventions on freedom of association and collective bargaining; elimination of forced and compulsory labour; elimination of discrimination in respect of employment and occupation; abolition of child labour).

4.7 The contractors may accept no payment connected with the contract other than that provided for therein. The contractors and their staff must not exercise any activity or receive any advantage inconsistent with their obligations to the contracting authority.

4.8 The contractor and their staff are obliged to maintain professional secrecy for the entire duration of the contract and after its completion. All reports and documents drawn up or received by the contractor are confidential.

4.9 The contract shall govern the contracting parties' use of all reports and documents drawn up, received or presented by them during the execution of the contract.

4.10 The contractors shall refrain from any relationship likely to compromise their independence or that of their staff. If contractors cease to be independent, the contracting authority may, regardless of injury, terminate the contract without further notice and without the supplier having any claim to compensation.

4.11 The MAE-DGCS reserves the right to suspend or cancel Project financing if corrupt practices of any kind are discovered at any stage of the award process and if the contracting authority fails to take all appropriate measures to remedy the situation. For the purposes of this provision, "corrupt practices" are the offer of a bribe, gift, gratuity or commission to any person as an inducement or reward for performing or refraining from any act relating to the award of a contract or implementation of a contract already concluded with the contracting authority.

4.12 More specifically, all tender dossiers and contracts for works, supplies and services must include a clause stipulating that tenders will be rejected or contracts terminated if it emerges that the award or execution of a contract has given rise to unusual commercial expenses. Such unusual commercial expenses are commissions not mentioned in the main contract or not stemming from a properly concluded contract referring to the main contract, commissions not paid in return for any actual and legitimate service, commissions remitted to a tax haven, commissions paid to a recipient who is not clearly identified or commissions paid to a company which has every appearance of being a front company.

4.13 Contractors undertake to supply the MAE-DGCS on request with supporting evidence regarding the conditions in which the contract is being executed. The MAE-DGCS may carry out whatever documentary or on-the-spot checks it deems necessary to find evidence in cases of suspected unusual commercial expenses.

4.14 Contractors found to have paid unusual commercial expenses on Projects funded by the MAE-DGCS are liable, depending on the seriousness of the facts observed, to have their contracts terminated or to be permanently excluded from receiving MAE-DGCS funds.

4.15 Failure to comply with one or more of the ethics clauses may result in the exclusion of the candidate, bidder or contractor from other MAE-DGCS contracts and in penalties. The individual or company in question must be informed of the fact in writing.

4.16 It is the obligation of the contracting authority to ensure that the procurement procedure is concluded in a transparent manner, based on objective criteria and disregarding any possible external influences.