



TECHNICAL AGREEMENT

BETWEEN

THE DIRECTORATE GENERAL FOR DEVELOPMENT COOPERATION OF THE ITALIAN
MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

AND

THE MINISTRY OF FINANCE & PLANNING OF PALESTINE¹ (MOFP)

ON THE PROGRAM:

"FIN-PAL: FINANCIAL INCLUSION IN PALESTINE"

Preamble

The Directorate General for Development Cooperation of the Ministry of Foreign Affairs and International Cooperation of the Italian Republic (hereinafter "DGCS"), and its implementing Agency "Italian Agency for Development Cooperation" (hereinafter "AICS"), and the Ministry of Finance & Planning of Palestine (hereinafter "MOFP"), hereinafter referred to as the "Parties", have decided to enter into this Technical Agreement, hereinafter referred to as the "Agreement", for the implementation of the initiative "FIN-PAL: Financial Inclusion in Palestine".

WHEREAS a strong relationship is established between the Italian Government and Palestine, in particular through the implementation of significant bilateral cooperation;

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 Parties.

¹ This designation shall not be construed as recognition of a State of Palestine by the Italian Government, and is without prejudice to the position of the Italian Government on this issue.

WHEREAS In 2016, a pledge has been issued by the Italian Government specifically for the implementation of cooperation initiatives in the economic development sector;

WHEREAS Palestine within its National Development Plan (PNDP) 2014-2016 has highlighted the importance of increasing "investment creating employment opportunities" and expanding "entrepreneurial and innovative initiatives among the youth and women in any economic activity".

WHEREAS DGCS and MOFP have agreed to allocate part of the above mentioned pledge to "tackle the need of credit of vulnerable categories and financing micro and small entrepreneurship's initiatives through existing financial institutions".

WHEREAS The Director of AICS has approved the Program "FIN-PAL: Financial Inclusion in Palestine" (hereafter "Program") and committed related funds, on September 30, 2016 (deliberation n. 10324).

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

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

Article 1. Purpose of the Agreement

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

Article 2. Parts of the Agreement

- 2.1 This Agreement consists of 12 Articles and two annexes:

- Annex 1 - Program Document.
- Annex 2 - Procurement Guidelines

- 2.2 The above-mentioned annexes will be considered an essential and substantial part of the Agreement. In case of inconsistency, the Agreement herein shall prevail over the annexes.

Article 3. Program description

- 3.1 General Objective. The Program aims to contribute in promoting economic growth and job creation for economically – women, young people, farmers – and geographically – East Jerusalem, Area C and Gaza Strip – marginalized groups, by fostering their financial inclusion.
- 3.2 Specific Objective. As described in the Program Document (Annex 1), within the time span of the intervention, the Program aims to strengthen the capacities of the key actors – both from the public and private sector – operating on the supply side of the Palestinian financial market.
- 3.3 The Program includes a grant component amounting to EUR 2,000,000.00 (two million).
- 3.4 Part of the grant component, amounting to EUR 1,000,000.00 (one million), will be transferred to MOFP as earmarked budget support for the benefit of the Palestine Monetary Authority (EUR 500,000.00, five hundred thousand), Palestine Capital Market Authority (EUR 200,000.00, two hundred thousand) and MOFP (EUR 300,000.00, three hundred thousand). The remaining part of the grant component, amounting to EUR 1,000,000.00 (one million), will be managed by AICS.
- 3.5 All the transactions on the grant component – budget support shall be recorded in financial reports issued by the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP, according to Art. 5 and Art. 9 of the present Agreement.
- 3.6 The Final Report 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 grant component and MOFP will be the contracting authority.

Article 4. Management structure and procedures

- 4.1 The main Institutions and Bodies involved in the implementation of the Program are:
- 4.1.1 For the Palestinian side:
- (a) The MOFP, acting as the executing agency for activities reported in the Program Document (Annex 1) as well as the Palestinian counterpart for this Agreement, ensuring that all Palestinian bodies involved in the Program will fulfill their obligations,
 - (b) The Palestine Monetary Authority, acting as the executing agency for activities reported in the Program Document (Annex 1).
 - (c) The Palestine Capital Market Authority, acting as the executing agency for activities reported in the Program Document (Annex 1).
- 4.1.2 For the Italian side:
- (a) The DGCS, acting as:
 - the Italian Counterpart for this Agreement, ensuring that all Italian bodies involved will fulfill their obligations,

- (b) The AICS that will contribute to the supervision of the overall Program implementation and will act as:
- the financing body,
 - the provider of the technical assistance, through a pool of locally based Italian experts,
 - part of the Program control system.
- 4.2 The Parties, having properly informed all the above-mentioned Institutions, will provide them with a copy of the present Agreement. The Parties will ensure that such Institutions will fulfill, for what falls within their responsibility, the obligations of the Agreement.
- 4.3 The Program will be implemented on the basis of an Annual Operational & Financial Plan, prepared by the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP, with the supervision and technical assistance of AICS, in accordance with the activities planned and described in the Program Document (Annex 1).
- 4.4 The overall supervision of the Program will be granted to the Advisory Committee (hereafter "AC"), which will: provide guidelines, approve the Annual Operational & Financial Plan prepared by the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP, and measure the impact of the initiative against expected results.
- 4.5 The AC will be composed by a high level representation that should act on policy and strategic level as follows:
- One representative of MOFP – Chairperson of the AC.
 - One representative of the Palestine Monetary Authority.
 - One representative of the Palestine Capital Market Authority.
 - Two representatives of the Italian side.
- 4.6 The AC may take benefit of inputs and proposals coming from different stakeholders, such as the Ministry of Agriculture, Ministry of Social Affairs, Ministry of National Economy, Ministry of Women Affairs, Business Associations and Cooperatives' Associations, as well as other parties and any other institution and/or body working on the Program goals.
- 4.7 AC meetings will be held on a six-month basis and will approve Annual Operational & Financial Plans provided by the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP. Additional meetings may be called by the AC Chairperson, upon agreement of the other members. Decisions will be taken by consensus based voting procedures.
- 4.8 Procurement procedures of the Program related to the execution of the Biannual Work Plans:
- 4.8.1 The procedures adopted for procurement related to the execution of the Program shall be carried out under the responsibility of the Palestine Monetary Authority,

Palestine Capital Market Authority and MOFP, with the support and assistance of AICS.

- 4.8.2 Purchases of goods and services not exceeding EUR 40,000.00 (forty thousand) under the present Agreement will abide to local rules and procedures.
- 4.8.3 Procurement activities for an amount exceeding EUR 40,000.00 (forty thousand) shall abide to the rules and procedures in the most recent version adopted by the European Commission PRAG as well as the Procurement Procedures (Annex 2). Moreover, a no-objection from AICS shall be requested prior to signature of the contracts above EUR 300,000.

Article 5. Disbursement procedures of the earmarked budget support funds

- 5.1 The financial resources of EUR 1,000,000.00 (one million) will be transferred by AICS to MOFP as earmarked budget support for the benefit of the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP.
- 5.2 Funds will be transferred by AICS to a dedicated Single Treasury Account (STA) to be opened by MOFP at the Arab Bank, Al Masyoun Branch- n. 9090 100084 557 and named "STA – FIN-PAL".
- 5.3 The MOFP will in turn transfer the funds foreseen in the Program Document (Annex 1) to two Special Accounts (hereafter, "Special Accounts"), respectively opened and managed by:
- The Palestine Monetary Authority, at the Cairo Amman Bank, Ramallah branch, n. 660003022536 and named "Special Account – FIN-PAL".
 - The Palestine Capital Market Authority, at the Arab Bank, Al Berah Branch n. 9030/182682/530 and named "Special Account – FIN-PAL".
- 5.4 The Palestine Monetary Authority, Palestine Capital Market Authority and MOFP, according to the Annual Operational & Financial Plan, will prepare, either jointly or separately, Biannual Work Plans for the proposed biannual expenditures. Expenditures will be performed upon request from the Palestine Monetary Authority, the Palestine Capital Market Authority and/or MOFP and with a prior approval by AICS of the Biannual Work Plans.
- 5.5 Expenditures will be performed through bank drafts with mandatory signatures of authorized signatories of the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP.
- 5.6 Upon signature of the present Agreement, approval of the Annual Operational & Financial Plan by the AC and formal request from the MOFP containing the STA bank account details as per above paragraph 5.2, AICS will transfer the funds into one instalment.
- 5.7 The Palestine Monetary Authority, Palestine Capital Market Authority and MOFP will have responsibility on accounting system, financial management, expenditure tracking

and records filing, and will provide to the MOFP and AICS full accessibility to all documents, for financial reconciliation purpose.

- 5.8 Interest accrued on the funding shall be fully accounted for in the STA and Special Accounts and tracked in the financial records. A statement of the accrued interests should be submitted to AICS for tracking purposes. The funds can only be used for the benefit of the Program, for implementing activities, after formal agreement between the Parties.
- 5.9 At the Program conclusion, a Final Report, as described at Art. 9 will be prepared by the Palestine Monetary Authority, Palestine Capital Market Authority and MOFP, and submitted to the MOFP and AICS, after analysis and endorsement by the AC.
- 5.10 The Final Report shall be complemented by a Report audited by an independent Chartered Accountant.
- 5.11 After completion of the Program any unused money shall be returned to AICS.
- 5.12 The MOFP and AICS may, either jointly or separately, and at any time during the duration of this Agreement or any renewal or extension thereof, evaluate the implementation of the Program. The cost of such evaluation shall be borne by the Party initiating such evaluation.

Article 6. Budget reallocations

- 6.1 Increasing or decreasing a budget line allocation by less than 10% of its original figure, is allowed through a decision of the AC, that shall timely communicate in writing the approved reallocation to AICS.
- 6.2 Reallocations equal to or exceeding 10% of a budget line original figure will require a written approval by AICS and an amendment to the present Agreement.
- 6.3 All Budget line reallocations shall be carefully reflected in the Program reporting documents.

Article 7. Obligations of DGCS and AICS

- 7.1 To assure, through assigned staff, Program monitoring, control and evaluation, a particular attention will be allocated to resources utilization, in relation to goals achievement within the planned timeframe.
- 7.2 To support, where needed, planning and training activities as well as organizing technical assistance missions.
- 7.3 To provide a total grant fund of 1,000,000.00 (one million) to MOFP as earmarked budget support for the benefit of the Palestine Monetary Authority, Palestine Capital

Market Authority and MOFP. The grant fund provided as earmarked budget support will be allocated as reported in the Program Document (Annex 1).

Article 8. Obligations of the MOFP

- 8.1 To open the STA bank account, as described in Art. 5.2.
- 8.2 To overview the management of the financial resources provided to the Program by the present Agreement, ensuring that funds will be used according to criteria of transparency, competitiveness and good governance.
- 8.3 To assure that the Palestine Monetary Authority and Palestine Capital Market Authority will:
 - Open the Special Accounts, as described in Art. 5.3.
 - Submit to the AC all Technical and Financial Reports foreseen in this Agreement, to be forwarded to AICS.
- 8.4 To facilitate a fruitful collaboration between Palestinian institutions involved in the Program and AICS, including the possibility of AICS personnel to access to the Program areas and to the Program technical documentation for monitoring and evaluation purposes.

Article 9. Reporting

- 9.1 The Final Report will be composed by the following documents:
 - (a) The Final Technical Report on activities performed. This report shall include:
 - the overall comparison between Program expected results and the achieved ones;
 - the list of actions initially planned in the endorsed Annual Operational & Financial Plan, detailing activities, components and beneficiaries;
 - a detailed description of implemented activities and achieved results, in comparison to the Annual Operational & Financial Plan and according to agreed indicators;
 - The list of all technical issues faced by the Program in the period and related implemented solutions.
 - (b) The Final Financial Report on expenditures performed. This report shall include:
 - a copy of the approved budget, as per the Annual Operational & Financial Plan, split according to budget items, detailing planned expenditures per activity, component and beneficiaries.
 - the list of performed expenditures, split according to budget items, detailing payments per activity, component and beneficiaries and the calculated total balance.

- official financial statements of the STA and Special Accounts.
 - the list of financial issues/problems faced by the Program, together with the related implemented solutions.
- (c) The Final Procurement Report, related to the purchase of goods and/or services through the grant component – budget support. Such a report should illustrate the number of procurement processes implemented in the period, as well as the used bidding procedures, their outcome and a list of issues/problems faced, with related implemented solutions.

Article 10. Prevention of Corruption and Fraud

- 10.1 The parties are firmly committed to preventing and detecting fraudulent and corrupt practices. Parties will use reasonable efforts to ensure that the utilization of the Contribution conforms to the highest standard of ethical conduct and that every part of the organization, observe the highest standard of ethics and integrity.
- 10.2 The Parties, in accordance with its regulations, rules and directives, will ensure that any allegations of fraud and corruption in connection with the implementation of the Project are reported to the qualified Office in a timely manner. Credible allegations will be investigated by the Parties in accordance with its regulations, rules, policies, procedures and best practice. The parties will, in a timely manner and consistent with its regulations, rules, policies and procedures, provide details to the Donor of the outcome of substantiated allegations of fraud and corruption, along with details of action taken.
- 10.3 Following the conclusion of any investigation which identifies fraud or corruption involving any activities funded in whole or in part with a Contribution made under this Agreement, the Parties will:
- (a) Use reasonable efforts to recover any part of the Contribution, which the qualified Office has established as being diverted through fraud or corruption.
 - (b) In connection with (a) above, in consultation with the qualified office, give proper consideration to referring the matter to the appropriate authorities of the State where the fraud or corruption is believed to have occurred; and
 - (c) As required by the Donor, and following consultations between the Parties, reimburse to the Donor any part of the Contribution above, or credit it to a mutually agreed activity.

Article 11. Impediments and Force Majeure

- 11.1 In case of impediments to the implementation of the Program 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:

- 11.2 Within the first 6 (six) months of impediment the Program activities shall be suspended and the residual funds shall be frozen until the impediment finishes and AICS authorizes resumption of Program activities;
- 11.3 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 12. Suspension of the Agreement by DGCS

- 12.1 DGCS reserves the right to terminate this Agreement in the following events:
- 12.2 In case of serious non-fulfillment by the MOFP and/or by Ministry of Health; this includes the following events:
 - Untimely Program startup, i.e. within the first semester after reception of the funds;
 - Extended unmotivated delays in the utilization of the granted funds, jeopardizing program implementation;
 - Utilization of granted funds for implementing activities not relevant to the Program, as described in this Agreement and Annexes;
 - Serious faults in the management of granted funds, detected by the independent Chartered Accountant as per Art. 5, or by AICS staff.
 - In case of impediments as per Art. 10.
- 12.3 In any case, the Special Account shall remain operational until all expenditures incurred by the Ministry of Health have been satisfied.

Article 13. Settlement of disputes, Amendments and Effectiveness

- 13.1 Any dispute between the Parties arising out of the implementation of this Agreement shall be settled amicably by consultations or negotiations between the Parties.
- 13.2 The Parties may modify this Agreement, including its Annexes, at any time. Any modification must be set out in written form such as an exchange of verbal notes by Parties.
- 13.3 This Agreement shall become effective upon its signature by both Parties.
- 13.4 This Agreement shall remain effective until Program's completion.

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

Done on November 9, 2017, in Rome in two originals, each in the English language, both texts being equally authentic.

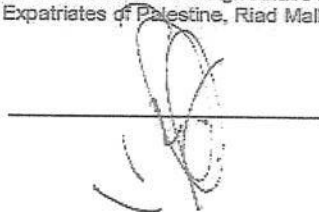
For the Italian Ministry of Foreign
Affairs And International
Cooperation:

H.E. The Minister of Foreign
Affairs and International
Cooperation of the Italian
Republic Angelino Alfano



For the Ministry of Finance and Planning of
Palestine:

H.E. The Minister of Foreign Affairs and
Expatriates of Palestine, Riad Malki





TECHNICAL AGREEMENT
BETWEEN
THE GOVERNMENT OF THE ITALIAN REPUBLIC
AND
THE GOVERNMENT OF PALESTINE¹
ON THE PROGRAM:

"RING": STRENGTHENING INTEGRATED PALESTINIAN HEALTH SYSTEM

Preamble

The Government of the Italian Republic through the Directorate General for Development Cooperation of the Ministry of Foreign Affairs and International Cooperation (hereinafter "DGCS") and its implementing Agency "Italian Agency for Development Cooperation" (hereinafter "AICS"), and the Government of Palestine through the Ministry of Finance & Planning of Palestine (hereinafter "MOFP"), hereinafter referred to as the "Parties", have decided to enter into this Technical Agreement, hereinafter referred to as the "Agreement", for the implementation of the initiative "RING: STRENGTHENING INTEGRATED PALESTINIAN HEALTH SYSTEM"

WHEREAS a strong relationship is established between the Italian Government and Palestine, in particular through the implementation of significant bilateral cooperation;

WHEREAS On November 23rd 2012, the "Development Cooperation Framework Agreement between the Government of the Italian Republic and Palestine" has been signed by Parties.

WHEREAS In 2017 a pledge has been issued by the Italian Government specifically for the implementation of cooperation initiatives in the health sector;

WHEREAS Palestine within its National Policy Agenda has highlighted the importance to

¹ This designation shall not be construed as recognition of a State of Palestine by the Italian Government, and is without prejudice to the position of the Italian Government on this issue.

"improve management of chronic diseases which overburden the healthcare system";

WHEREAS DGCS and MOFP have agreed to allocate part of the above mentioned pledge to strengthen the Palestinian Health System and to prevent and control chronic non-communicable diseases.

WHEREAS The Italian Joint Committee ("Comitato Congiunto") has approved the Program "RING": STRENGTHENING INTEGRATED PALESTINIAN HEALTH SYSTEM (hereafter "Program") and committed related funds, on 29 September 2017 decree n.113/2017

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

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

Article 1. Purpose of the Agreement

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

Article 2. Parts of the Agreement

- 2.1 This Agreement consists of 13 Articles and two annexes:
 - Annex 1 - Program Document.
 - Annex 2 - Procurement Guidelines
- 2.2 The above-mentioned annexes will be considered an essential and substantial part of the Agreement. In case of inconsistency, the Agreement herein shall prevail over the annexes.

Article 3. Program description

- 3.1 General Objective. The program aims to improve the health status of the Palestinian population

- 3.2 Specific Objective. As described in the Program Document (Annex 1), within the time span of the intervention, the Program wants to achieve the following:
- To strengthen the health system for health promotion and disease prevention, diagnosis, treatment and rehabilitation with particular focus on chronic non-communicable diseases.
 - To improve the effectiveness of the support to the Ministry of Health (MOH) by strengthening donors' coordination in the health sector
- 3.3 The Program includes a grant component amounting to 11,500,000 Euro (eleven million five hundred thousand).
- 3.4 Part of the grant component, amounting to 7,484,000 Euro (seven million four hundred eighty four thousand), will be transferred to MOFP as earmarked budget support for the benefit of the Ministry of Health. The remaining part of the grant component, amounting to 4,016,000 Euro (four million and sixteen thousand) will be directly managed by AICS.
- 3.5 All the transactions on the grant component – budget support shall be recorded in financial reports issued by the Ministry of Health, according to Art. 5 and Art. 9 of the present Technical Agreement.
- 3.6 All the financial reports 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 budget support component and the MOFP will be the contracting authority.

Article 4. Management structure and procedures

- 4.1 The main Institutions and Bodies involved in the implementation of the Program are:

4.1.1 For the Palestinian side:

- (a) The MOFP, acting as the Palestinian counterpart for this Technical Agreement, ensuring that all Palestinian bodies involved in the Program will fulfill their obligations.
- (b) The MOH, acting as implementing agency of the program in partnership with the AICS.

4.1.2 For the Italian side:

- (a) DGCS, acting as the Italian Counterpart for this Agreement, ensuring that all Italian bodies involved will fulfill their obligations,
- (b) AICS, that will contribute to the supervision of the overall Program implementation and will act as:
 - the financing body,
 - the provider of the technical assistance, through a pool of locally based Italian experts,

- part of the Program control system.

- 4.2 The Parties, having properly informed all the above-mentioned Institutions, will provide them with a copy of the present Technical Agreement. The Parties will ensure that such Institutions will fulfill, for what concerns each of them, the obligations of the Technical Agreement.
- 4.3 The Program will be implemented on the basis of an annual Operational & Financial Plan, prepared by the Ministry of Health and AICS in accordance with the activities planned and described in the Program Document (Annex 1).
- 4.4 The overall supervision of the Program will be granted by the Advisory Committee (hereafter "AC"), which will: provide guidelines, approve the annual Operational & Financial Plan prepared by the Ministry of Health and AICS and measure the impact of the initiative against expected results.
- 4.5 The AC will be composed by a high level representation that should act on policy & strategic level as follows:
 - Two representative of MOH – Chairperson and one member
 - One representative of the MOFP
 - Two representatives of the Italian side.
- 4.6 The AC may take benefit of inputs and proposals coming from different stakeholders, such as: Ministry of Finance and Planning, Ministry of Social Affairs, Ministry of National Economy, Ministry of Women Affairs, Women Business Associations and Cooperatives' Associations, as well as other parties and any other institution and/or body working on the Program goals.
- 4.7 AC meetings will be held on a six-month basis and will approve Annual Operational & Financial Plans provided by the Ministry of Health. Additional meetings may be called by the AC Chairperson, upon agreement of the other members. Decisions will be taken by consensus based voting procedures.
- 4.8 Procurement procedures of the Program related to the execution of the Biannual Work Plans:
 - 4.8.1 The procedures adopted for procurement related to the execution of the Program shall be carried out under the responsibility of the Ministry of Health with the support and assistance of AICS.
 - 4.8.2 Purchases of goods and services not exceeding EUR 40.000 (forty thousand) under the present Agreement will abide to the local rules and procedures.
 - 4.8.3 Procurement activities, for amount exceeding Euro 40.000 (forty thousand) shall abide to the rules and procedures in the most recent version adopted by the European Commission PRAG as well as the Procurement Procedures (Annex 2). Moreover, a no-objection from AICS shall be requested prior to publication of tender documents and signature of the contracts above Euro 300.000 (three hundred thousand) for goods and services, and Euro 500.000 (five hundred thousand) for works.

Article 5. Disbursement procedures of the earmarked budget support funds

- 5.1 The financial resources of 7,484,000 Euro (seven million four hundred eighty four thousand) will be transferred by AICS to MOFP as earmarked budget support for the benefit of the Ministry of Health.
- 5.2 Funds will be transferred by AICS to a dedicated Single Treasury Account (STA) to be opened by MOFP at the name of the Bank of Palestine plc – Ramallah branch account number 206777/sub account number 6 and named "STA – RING".
- 5.3 The MOFP will in turn transfer the funds to a Special Account at the at the name of the Bank of Palestine plc -Nablus branch account number 2184799, opened by the Ministry of Health and named "Special Account – RING" (hereafter, "Special Account").
- 5.4 The Special Account will be managed by the Ministry of Health; the Ministry of Health, according to the Annual Operational & Financial Plan, will prepare Biannual Work Plans for the proposed biannual expenditures. Expenditures will be performed upon request from the Ministry of Health and prior approval by AICS of the Biannual Work Plans.
- 5.5 Expenditures will be performed through bank drafts with mandatory signatures of authorized signatories of the Ministry of Health.
- 5.6 Upon signature of the present Agreement, approval of the Annual Operational & Financial Plan by the AC and request from the MOFP containing the bank account details as per above paragraph 5.2, AICS will transfer the funds into three installments:
 - first installment of Euro 2,140,000 (two million one hundred forty thousand)
 - a second installment of Euro 3,142,000 (three million one hundred fortytwo thousand)
 - a third instalment of Euro 2,202,000 (two million two hundred two thousand)
- 5.7 Release of the first installment. This release will be performed after the signature of this Agreement, and following a specific request from the MOFP, containing the bank account details, as per above paragraph 5.2.
- 5.8 Release of the second installment. This release will be performed
 - not before at least 80% of the first installment has been committed and 50% of the first installment has been disbursed from the *Special Account*.
 - after the submission by the MOH of the first Progress Report, as described at Art. 9, and the issuing of its approval by the AICS, following analysis and endorsement by the AC.
- 5.9 Release of the third installment. This release will be performed
 - not before at least 80% of the second installment has been committed and 50% of the second installment has been disbursed from the *Special Account*.

- after the submission by the MOH of the second Progress Report, as described at Art. 9, and the issuing of its approval by the AICS, following analysis and endorsement by the AC.
- 5.10 The first and second Progress Report should be complemented by a Report audited by an independent Chartered Accountant in accordance with internationally accepted audit standards (IFAC and INTOSAI). The cost of such auditing will be borne by the MOFP. AICS no – objection will be sought on tender documents and contract award.
- 5.11 The Ministry of Health will have responsibility on: accounting system, financial management, expenditure tracking and records filing, and will provide to the MOFP and AICS full accessibility to all documents, for financial reconciliation purpose.
- 5.12 Interest accrued on the funding shall be fully accounted for in the Special Account and tracked in the financial records. A statement of the accrued interests should be submitted to AICS, together with the Progress Reports, on annual basis for tracking purposes. These funds can only be used for the benefit of the Program, for implementing activities, after formal agreement between the Parties.
- 5.13 At Program conclusion, a Final Report, as described at Art. 9 will be prepared by the Ministry of Health and submitted to the MOFP and AICS, after analysis and endorsement by the AC.
- 5.14 The Final Report shall be complemented by a Report audited by the selected independent Chartered Accountant.
- 5.15 The MOFP and AICS may, either jointly or separately, and at any time during the duration of this Technical Agreement or any renewal or extension thereof, evaluate the implementation of the Program. The cost of such evaluation shall be borne by the Party initiating such evaluation.

Article 6. Budget reallocations

- 6.1 Increasing or decreasing a budget line allocation by less than 10% of its original figure, is allowed through a decision of the AC, that shall timely communicate in writing the approved reallocation to AICS.
- 6.2 Reallocations equal to or exceeding 10% of a budget line original figure will require a written approval by AICS and an amendment to the present Technical Agreement.
- 6.3 All Budget line reallocations shall be carefully reflected in the Program reporting documents.

Article 7. Obligations of DGCS and AICS

- 7.1 To assure, through assigned staff, Program monitoring, control and evaluation; a particular attention will be allocated to resources utilization, in relation to goals achievement within the planned timeframe.

7.2 To support, where needed, planning and training activities by organizing technical assistance missions.

7.3 To provide a total grant fund of Euro 11,500,000 (eleven million five hundred thousand) allocated as follows:

- The fund of Euro 7,484,000 (seven million four hundred eightyfour thousand) will be transferred to the Project Special Account, in three instalments, as described at Art. 5.4.

Managed by MOH

Budget support	I year	II year	III year	Total
TOTAL	2,140,000	3,142,000	2,202,000	7,484,000

- The fund of Euro 2,517,000 will be transferred to the AICS Office in Jerusalem

Managed by AICS

AICS Funds	I year	II year	III year	Total
TOTAL	375,000	1,304,000	838,000	2,517,000

- Expert fund will cover the costs of technical assistance performed by Italian experts.

Expert FUND	I year	II year	III year	Total
TOTAL	485,000	507,000	507,000	1,499,000

Article 8. Obligations of the MOFP

8.1 To open the STA bank account, as described in Art. 5.2.

8.2 To overview the management of the financial resources provided to the Program by the present Technical Agreement, ensuring that funds will be used according to criteria of transparency, competitiveness and good governance.

8.3 To assure that the Ministry of Health will:

- Open the Special Account, as described in Art. 5.3
- To implement the activities according to the Program Document (Annex1)
- Submit to the AC all Technical and Financial Reports foreseen in this Agreement, to be forwarded to AICS.

- 8.4 To facilitate a fruitful collaboration between Palestinian institutions involved in the Program and AICS, including the possibility of AICS personnel to access to the Program areas and to the Program technical documentation for monitoring and evaluation purposes.

Article 9. Reporting

- 9.1 The first annual Progress Report of the earmarked budget support component is composed by the following set of documents:

- 9.1.1 Related to the activities financed through the earmarked budget support mechanism and implemented in the first year:

- (a) the first annual Technical Report on the activities performed; this report should include:

- the list of actions initially planned for the first year, as endorsed in the first Annual Operational Plan, detailing activities, components, beneficiaries;
- a detailed description of implemented activities and achieved results, in comparison to the first annual Operational Plan and according to agreed indicators;
- the list of technical issues faced in the period by the Program and the related implemented solutions.

- (b) the first annual Financial Report on the expenditures performed and/or committed (i.e. contracts and/or service level agreements, consistent to the content and the procedures of this Agreement). This report should include:

- a copy of the approved budget of the first Year, as per endorsed first Financial Plan, split according to budget items, detailing planned expenditures per activity, component, beneficiary;
- the list of performed expenditures, split according to budget items, detailing payments per activity, component, beneficiary and the calculated balance on the first installment;
- an official financial statement of the Special Account, provided by the Bank of
- the list of financial issues faced by the Program, together with the related implemented solutions.

- (c) the first annual Procurement Report related to the purchase of goods and/or services. Such report should illustrate the number of procurement processes implemented, as well as the bidding procedure followed, their outcome and a list of issues faced, with the related implemented solutions.

- 9.1.2 Related to planned activities for the following Second year:

- (a) the Second Annual Operational Plan containing the list of actions planned for the second year, and endorsed by the AC, detailing activities, components, beneficiaries.
- (b) the Second Annual Financial Plan presenting the budget of the second year, as endorsed by the AC, split according to budget items, detailing planned expenditures per activity, component, beneficiary. This budget will be composed by:
 - the balance of the previous installment, plus
 - the second installment.

9.2 The Second Annual Progress Report of the earmarked budget support component is composed by the following set of documents:

9.2.1 Related to the activities financed through the earmarked budget support mechanism and implemented in the second year:

(a) the Second Annual Technical Report on the activities performed; this report should include:

- the list of actions initially planned for the second year, as endorsed in the second Annual Operational Plan, detailing activities, components, beneficiaries;
- a detailed description of implemented activities and achieved results, in comparison to the second annual Operational Plan and according to agreed indicators;
- the list of technical issues faced in the period by the Program and the related implemented solutions.

(b) the Second Annual Financial Report on the expenditures performed and/or committed (i.e. contracts and/or service level agreements, consistent to the content and the procedures of this Agreement). This report should include:

- a copy of the approved budget of the second year, as per endorsed second Financial Plan, split according to budget items, detailing planned expenditures per activity, component, beneficiary;
- the list of performed expenditures, split according to budget items, detailing payments per activity, component, beneficiary and the calculated balance on the second installment;
- an official financial statement of the Special Account, provided by the Bank of
- the list of financial issues faced by the Program, together with the related implemented solutions.

(c) the Second Annual Procurement Reports related to the purchase of goods and/or services for the second and year. Such report should illustrate the number of procurement processes implemented, as well as the bidding procedure followed, their outcome and a list of issues faced, with the related implemented solutions.

9.2.2 Related to planned activities for the following Third year:

(a) the Third Annual Operational Plan containing the list of actions planned for the third year, and endorsed by the AC, detailing activities, components, beneficiaries,

(b) the Third Annual Financial Plan presenting the budget of the third year, as endorsed by the AC, split according to budget items, detailing planned expenditures per activity, component, beneficiary. This budget will be composed by:

- the balance of the previous installment, plus
- the third installment.

9.3 The Third and Final Report will be composed by the following:

a) The Third and Final Technical Report on all activities performed; this report will include:

- the overall comparison between Program expected results and the achieved ones;
- the list of actions initially planned in the endorsed third Operational Plan, detailing activities, components, beneficiaries;
- a detailed description of implemented activities and achieved results, in comparison to the third Operational Plan and according to agreed indicators;
- the list of all technical issues faced by the Program in the period and related implemented solutions.

b) The Third and Final Financial Report on expenditures performed.

The Third and Final Financial Report should include:

- a copy of the approved budget of the third year, as per endorsed third Financial Plan, split according to budget items, detailing planned expenditures per activity, component and beneficiary.
- The list of performed expenditure 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
- the list of financial issues faced by the Program and related implemented solutions

c) The Third and Final Procurement Reports related to the purchase of goods and/or services. Such reports should illustrate the number of procurement

processes implemented, as well as the bidding procedure followed, their outcome and a list of issues faced, with the related implemented solutions.

Article 10. Prevention of Corruption and Fraud

- 10.1 The parties are firmly committed to preventing and detecting fraudulent and corrupt practices. Parties will use reasonable efforts to ensure that the utilization of the Contribution conforms to the highest standard of ethical conduct and that every part of the organization, observe the highest standard of ethics and integrity.
- 10.2 The Parties, in accordance with its regulations, rules and directives, will ensure that any allegations of fraud and corruption in connection with the implementation of the Project are reported to the qualified Office in a timely manner. Credible allegations will be investigated by the Parties in accordance with its regulations, rules, policies, procedures and best practice. The parties will, in a timely manner and consistent with its regulations, rules, policies and procedures, provide details to the Donor of the outcome of substantiated allegations of fraud and corruption, along with details of action taken.
- 10.3 Following the conclusion of any investigation which identifies fraud or corruption involving any activities funded in whole or in part with a Contribution made under this Agreement, the Parties will:
 - (a) Use reasonable efforts to recover any part of the Contribution, which the qualified Office has established as being diverted through fraud or corruption.
 - (b) In connection with (a) above, in consultation with the qualified office, give proper consideration to referring the matter to the appropriate authorities of the State where the fraud or corruption is believed to have occurred; and
 - (c) As required by the Donor, and following consultations between the Parties, reimburse to the Donor any part of the Contribution above, or credit it to a mutually agreed activity.

Article 11. Impediments and Force Majeure

- 11.1 In case of impediments to the implementation of the Program due to causes of *force majeure* recognized by both Parties according to practice (such as war, flood, fire, typhoon, earthquake, labour 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:
- 11.2 Within the first 6 (six) months of impediment the Program activities shall be suspended and the residual funds shall be frozen until the impediment finishes and AICS authorizes resumption of Program activities;
- 11.3 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 12. Suspension of the Agreement by DGCS

- 12.1 DGCS reserves the right to terminate this Agreement in the following events:
- 12.2 In case of serious non-fulfillment by the MOFP and/or by Ministry of Health; this includes the following events:
- Untimely Program startup, i.e. within the first semester after reception of the funds;
 - Extended unmotivated delays in the utilization of the granted funds, jeopardizing program implementation;
 - Utilization of granted funds for implementing activities not relevant to the Program, as described in this Agreement and Annexes;
 - Serious faults in the management of granted funds, detected by the independent Chartered Accountant as per Art. 5, or by AICS staff.
 - In case of impediments as per Art. 10.
- 12.3 In any case, the Special Account shall remain operational until all expenditures incurred by the Ministry of Health have been satisfied.

Article 13. Settlement of disputes, Amendments and Entry into force

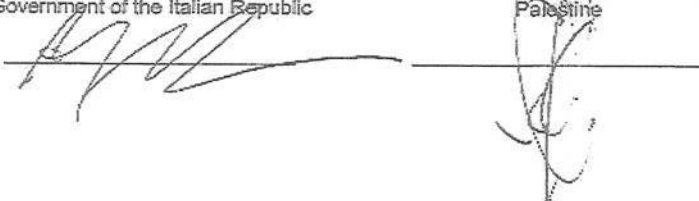
- 13.1 Any dispute between the Parties arising out of the implementation of this Technical Agreement shall be settled amicably by consultations or negotiations between the Parties.
- 13.2 The Parties may modify this Agreement, including its Annexes, at any time. Any modification must be set out in written form such as an exchange of verbal notes by Parties.
- 13.3 This Agreement shall enter into force on the date of the receipt of the last of the two notifications by which the two Parties shall formally have communicated each other that their respective internal procedures have been completed.
- 13.4 This Agreement shall remain into force until Program's completion.

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

Done on date 09 NOV. 2017..... In Rome, in two originals, each in English language, both texts being equally authentic.

For and on behalf of the
Government of the Italian Republic

For and on behalf of the Government of
Palestine



MEMORANDUM OF UNDERSTANDING
BETWEEN
THE DIRECTORATE GENERAL FOR DEVELOPMENT COOPERATION
OF THE ITALIAN MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION
AND
THE MINISTRY OF FINANCE AND PLANNING OF PALESTINE¹

Financial contribution of EUR 1,000,000 to the Palestinian Authority through the "Mécanisme
Palestino-Européen de Gestion et d'Aide Socio-économique" (PEGASE)

- (1) The Directorate General for Development Cooperation of the Italian Ministry of Foreign Affairs and International Cooperation (DGCS/MAECI), hereafter called "the donor", confirms to the Palestinian Authority (PA) that, in accordance with the Development Cooperation Framework Agreement between the Government of the Italian Republic and the Palestinian National Authority signed on 23rd of November 2012, the Italian Agency for Development Cooperation (AICS) will make a financial contribution of EUR 1,000,000 through the PEGASE Direct Financial Support (PDFS) mechanism established by the European Commission and implemented by the Office of the European Union Representative in Jerusalem, hereafter called "EUREP".
- (2) In agreement with the PA, the donor makes available the contribution of EUR 1,000,000 to support the settling of the PA's accumulated and unpaid medical referrals costs to East Jerusalem Hospitals. The donor confirms that this contribution will be disbursed in a timely fashion and as soon as all contractual and administrative preconditions are met.
- (3) The donor has decided to pool resources with the European Union's and other donors' contributions in a sub-account number 9090 290913 530 (IBAN PS26 ARAB 0000 0000 9090 2909 1353 0) of the Single Treasury Account of the PA at Arab Bank specifically opened for the above-mentioned programme. The payments from the sub-account will be authorised upon receipt by the Ministry of Finance and Planning of Palestine of an ex-ante authorisation letter sent by the Commission, represented by the Head of Cooperation of EUREP, acting as an intermediary on behalf of all donors contributing funds via this sub-account. Any interest accrued on this contribution is to be considered part of it and to be used for the same purpose.
- (4) The donor will sign a Memorandum of Understanding with the European Commission, acting on behalf of the European Union, to govern the contribution in accordance with the modalities put in place through PDFS.
- (5) The present Memorandum shall confirm the common understanding between both parties for the use of the EUR 1,000,000 contribution through the PDFS mechanism for the purpose described above.
- (6) This Memorandum will become effective on the date on which it is signed by the last party.

¹ This designation shall not be construed as recognition of a State of Palestine by the Italian Government, and is without prejudice to the position of the Italian Government on this issue.

Done on November the 9th 2017 in Rome, in two originals, each in English language, both texts being equally authentic.

For the Italian Ministry of Foreign
Affairs And International Cooperation:

H.E. The Minister of Foreign Affairs
and International Cooperation of the
Italian Republic, Angelino Alfano



For the Ministry of Finance and Planning of
Palestine:

H.E. The Minister of Foreign Affairs and
Expatriates of Palestine, Riad Malki

