



Memorandum of Understanding

BETWEEN

**THE DIRECTORATE GENERAL FOR DEVELOPMENT CO-OPERATION
OF THE ITALIAN MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL
COOPERATION**

AND

THE PALESTINIAN MINISTRY OF FINANCE

ON THE PROJECT:

STRENGTHENING HOSPITAL NETWORKING OF HEBRON GOVERNORATE¹

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 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 hospital networking of Hebron governorate" (hereinafter "Project")

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.

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 the DGCS and the Palestinian Ministry of Finance have agreed to allocate part of the above mentioned pledge to the strengthening of hospital services in the Governorate of Hebron

WHEREAS The DGCS Steering Committee (*Comitato Direzionale*) has approved the Project on April 21st 2015 (CD decree nr. 6 and decree nr. 63 - AID nr. 10538).

WHEREAS the DGCS strives to comply with the Paris Declaration Principles of Aid Effectiveness, including strengthening Palestinian ownership of the development process by providing technical cooperation that supports the health sector in Palestine.

The Parties hereby agree to implement the Project 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 13 Articles and 2 annexes:

- Annex 1 - Project Document;
- Annex 2 – Eligibility Criteria, Ethical Clauses Contracts General Principles.

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 to strengthen the hospital services provided by the Palestinian Ministry of Health (hereinafter "MoH") in the largest and most populated governorate of Palestine.

3.2 - General Objectives. The Project contributes to improve the health status of the population of Hebron governorate, through an increased offer of hospital services and an enhanced accessibility to them. By doing this, the Project will also contribute to rationalize the Palestinian expenditure in the health sector.

3.3 - Specific Objective. As described in the Project Document (Annex 1), within the time span of the intervention, the Project intends to complete the construction of two new hospitals, one in the northern district of Hebron and one in the Southern one.

3.4 - The Project includes a Soft Loan component (amounting Euro 10 million) and a Grant component (amounting Euro 120,000).

3.5 - The Soft Loan component, its purpose and conditions are regulated by a specific agreement (hereinafter "Financial Agreement") signed by MoF and by the financial institution appointed by the DGCS (hereinafter "Artigiancassa").

3.6 - The grant component, amounting to Euro 120,000 will be managed by the DGCS.

Article 4. Management structure and procedures

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

- **For the Palestinian side:**

- MoF, acting as the Palestinian counterpart for this MoU, ensuring that all Palestinian bodies involved in the project will fulfil their obligations,
- MoH, acting as the Executing Agency for activities reported in the project document.

- **For the Italian side:**

- The DGCS, acting as:
 - The Italian Counterpart for this MoU, ensuring that all Italian bodies involved will fulfil their obligations,
 - The financing body,

- The provider of the Italian technical assistance (ITA), through a pool of Italian experts, part of the project control system,
- The Consulate General of Italy (hereinafter "CGI") and the Development Cooperation Unit (hereinafter "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 fulfil, for what concerns each of them, the obligations of the MoU.

4.3 - The MoH, with the active support of the UTL, will act as technical office of the Project and will be in charge of managing the soft loan component.

4.4 - The overall supervision of the Project will be ensured by the Steering Committee (hereinafter "SC"). The SC is responsible for providing guidelines and measuring the impact of the Project with respect to the General and Specific Objectives (Articles 3.1-3.3).

4.5 - The Steering Committee (SC) will be composed by a high level representation composed as follows:

- A representative of the MoH – Chairperson of the SC.
- A representative of the MoH- Secretary
- A representative of the MoF – Member of the SC.
- A representative of the Italian side, (CGI or UTL).

4.6 - The SC may take benefit of inputs and proposals coming from different stakeholders, as well as other parties and any other institution and/or body working on the Project priorities.

4.7 - SC meetings will be held on an annual basis. Additional meetings may be called by the SC Chairperson, upon agreement of the other members. Decisions will be taken by consensus-based voting procedures.

4.8 - To ensure the technical implementation of the project, a Technical Committee will be formed, composed by relevant technical department of MoH and UTL.

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 **85%** (Eighty 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 conditions and implementation procedures

7.1 - 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.

7.2 - 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 the Financial Agreement, the MoF and the UTL shall enter into a Financial Agreement regulating the disbursement of the soft loan referred to in Article 3.
- Upon approval of the Financial Agreement, the MoF shall carry out the realisation of the Project, i.e. the organization and launching of the bids, the execution, the monitoring and the supply of goods and services, according to the Project Document (Annex 1) and in coordination with the UTL.
- A copy of the bid evaluation report shall be submitted by the MoH to the DGCS for no objection before issuing the bid request.
- Upon approval of the bid request, the procurement procedure, the MoH will issue and evaluate the bids. The bidder who will be a bid evaluation report, preliminary award the contract to the selected bidder, then send all the related documents to the UTL. The contract(s) shall be awarded and signed by the UTL.
- The soft loan disbursement shall be detailed in the Financial Agreement. After the signature of the Financial Agreement, the funds directly to the suppliers, after the suppliers supply contracts, upon request of the MoF and after a prior check of the invoices and invoices.

Article 8 - The missions of the DGCS

- 8.1 - To assure, through the organization of staff, project monitoring, control and evaluation; a particular attention shall be allocated to resources utilization, in relation to goals achievement and to the planned timeframe.
- 8.2 - To support, where necessary, planning activities organizing technical assistance missions.
- 8.3 - To provide the annual report of the mission to MoF as soft loan for the benefit of the MoH. The funds shall be reported in the project document (Annex 1).
- 8.4 - The remaining part of the soft loan shall be used for the DGCS. Assistance funds, amounting to Euro 120,000 will be directly transferred to the DGCS.

Article 9 - The missions of the MOF

- 9.1 - To overview the management of the financial resources provided to the project by the present agreement. The funds will be used according to criteria of transparency, soundness and good governance.

9.2 - To ensure that the MoH will:

- Submit to the SC all technical and financial documents forecasted by this MoU, to be forwarded to the DGCS.
- Provide by its own means all medical equipment needed by the two new hospitals to deliver the whole range of services forecasted in the project plan

9.3 - 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 10. Monitoring and evaluation

10.1 - The Palestinian party shall enable the DGCS to monitor and evaluate the implementation of the project and shall take all the measures required to ensure the efficient completion of the project and the achievement of its objectives, based also on the recommendation of DGCS.

Article 11. Impediments and force majeure

11.1 - 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, 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 Project activities shall be suspended and the unspent and/or uncommitted soft loan shall be frozen until the impediment finishes and the DGCS authorizes resumption of Project's 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 unspent and/or uncommitted soft loan, through an exchange of "Note Verbale" between the Parties.

Article 12. Amendments

12.1 - Any relevant amendment to the present MoU may be adopted by exchange of letters between the Parties.

Article 13. Entry into effect and duration

13.1 - The present MoU shall enter into effect after the signatures of the Parties.

13.2 - This MoU shall have the same duration of the soft loan.

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

Done in Ramallah on the 29th of June 2015, in two originals, each in English language, both texts being equally authentic.

**H.E. Minister of Finance of
Palestine**



H.E. Shukry Bishara

For and on behalf of DGCS



**H.E. Paolo Gentiloni
Italian Minister of
Foreign Affairs and
International Cooperation**

ACRONYMS

DGCS = GENERAL DIRECTORATE OF THE ITALIAN DEVELOPMENT COOPERATION

ESSP = EMERGENCY SERVICE SUPPORT PROGRAMME

HSWG = HEALTH SECTOR WORKING GROUP

LACS = LOCAL AID COORDINATION SECRETARIAT

MOF = PALESTINIAN MINISTRY OF FINANCE