

F.ROT. /AID 13/007/0

FINANCIAL AGREEMENT

between

Ministry of Finance of the Palestinian National Authority

and

Artigiancassa S.p.A.

EURO 20.000.000,00

***“START – UP PALESTINE: financial vehicles and technical assistance
to boost employment and income generation in Palestine”***

ARTIGIANCASSA S.p.A.



The Ministry of Finance of the Palestinian National Authority (hereinafter referred to as the "Borrower"),

and

on one side,

Artigiancassa S.p.A. – Member of Bank Group Banca Nazionale del Lavoro, listed on the Register of the Banks, share capital Euro 10.000.000,00 with registered office in Rome, Via Crescenzo del Monte 27 registered with the Companies Register, tax code VAT no. 10251421003 (hereinafter referred to as "Artigiancassa"), as administrator, on behalf of the Ministry of the Economy and Finance of the Italian Republic, of the Revolving Fund for Development Cooperation, established by Article 26 of Italian Law no. 227 of May 24, 1977, and further referred to in Article 6 of Italian Law no. 49 of February 26, 1987, represented by Mr. Stefano Gatti, Head of the Revolving Fund Management Unit

on the other side.

(Artigiancassa and the Borrower together hereinafter referred to as the "Parties")

have decided to enter into this

FINANCIAL AGREEMENT

Article 1

Definitions

In the Financial Agreement and in the Annexes thereto, the following terms shall have the following meanings:

- **"Acknowledgement of Indebtedness"**: means the statement, referred to under Article 11, by means of which the Borrower undertakes, in favour of Artigiancassa, to reimburse the principal due with respect to the Soft Loan;
- **"Advisory Committee"**: means an entity created with the aim of defining the general guidelines of the Programme, the activity of which is described in the MoU;
- **"Agreement"**: means this Financial Agreement, the preamble and the annexes hereto forming an integral part thereof;
- **"Auditing Company"**: means an independent highly qualified, major international auditing company. The auditing company shall be selected and entrusted by the

Borrower with the task of auditing the financial and administrative documents and procedures in relation to the Programme as specified in Article 5;

- **"Banca Nazionale del Lavoro S.p.A. account"**: means the account (IBAN: IT29U0100503214000000250013-BIC BNLIITRR), opened at Banca Nazionale del Lavoro S.p.A. under the name of Artigiancassa/Gestione Fondo Rotativo L.49/87 - Ministero Economia e Finanze, on which the Borrower shall repay its debt;
- **"CASC"**: means the Cooperative Associations for Saving and Credit;
- **"Financial Report"**: means the financial report, issued by the Borrower and certified by the Auditing Company,;
- **"Grace Period"**: means the period lasting 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan has been credited;
- **"Italian Competent Authorities"**: means the Ministry of the Economy and Finance, and/or the Ministry of Foreign Affairs of the Italian Republic and/or any other competent entity of the Government of the Italian Republic, nominated for the purpose of this Agreement;
- **"MAE-DGCS"**: means the Ministry of Foreign Affairs of the Italian Republic – Directorate General for Development Cooperation;
- **"MEF"**: means the Ministry of Economy and Finance of the Italian Republic;
- **"MoU"**: means the Memorandum of Understanding signed on ... in ... between the Government of the Italian Republic, represented by the Ministry of Foreign Affairs, and the Government of the Palestinian National Authority, represented by the Ministry of Finance, for the realization of the Programme;
- **"PFESP"**: means the Palestinian Fund for Employment and Social Protection, the activity of which is described on the MoU;
- **"Programme"**: means the Programme denominated "START-UP PALESTINE: financial vehicles and technical assistance to boost employment and income generation in Palestine" to be financed through the Soft Loan in accordance with the Memorandum of Understanding and this Agreement;
- **"Single Treasury Accounts" – Soft Loan Component (STA – SLC)**: means the Account/s (STA – Credit Line; STA – Capitalization Fund; STA – Credit Guarantee Fund) opened by the Borrower with a private Palestinian Bank on which funds, for each facility under the Soft Loan provision, shall be credited in instalments;
- **"Soft Loan"**: means the financing that Artigiancassa, on the basis of the authorisation issued by the Ministry of Economy and Finance and upon the proposal of the Ministry of Foreign Affairs of the Italian Republic, will grant on the terms and the conditions provided for in the Article 3 of this Agreement;
- **"Supply Contract(s)"**: means the commercial contract(s) relating to the supply of goods and/or services connected to the realisation of the Programme.



Article 2

Preamble

- 2.1 By means of the MoU, signed in Ramallah on July, 17th 2014 between the Palestinian National Authority, represented by the Ministry of Finance, and the Government of the Italian Republic, represented by the Ministry of Foreign Affairs, the Government of the Italian Republic has committed itself to finance the Programme through a soft loan up to a maximum amount of Euro 20.000.000,00 (twenty million/00).
- 2.2 By means of this Agreement the Parties intend to: (i) implement the financial provisions relating to the Soft Loan as contemplated in the Article 2 of the Annex 1 of the MoU, and (ii) regulate their rights and obligations in accordance with the MoU.
- 2.3 The Ministry of the Economy and Finance of the Government of the Italian Republic, on the proposal of the Ministry of Foreign Affairs of the Italian Republic, by decree no. 76850 dated October 29th, 2013 has authorised Artigiancassa to grant to the Borrower a soft loan on the terms and conditions set forth in Article 3 of this Agreement (hereinafter referred to as the "Soft Loan") for the purpose of financing the Programme.

Article 3

Soft Loan

- 3.1 Artigiancassa grants to the Borrower, and the Borrower hereby accepts, the Soft Loan on the following conditions:
- Maximum Amount: Euro 20.000.000,00 (twenty million/00);
 - Duration: 32 (thirty-two) years;
 - Grace period: 252 (two hundred fifty-two) months beginning on the date on which the first instalment of the Soft Loan is credited on one of the Single Treasury Accounts – Soft Loan Component (STA - SLC)
 - Repayment: 22 (twenty-two) consecutive equal deferred semi-annual principal instalments the first of which falling 252 (two hundred fifty-two) months after the first disbursement;
 - Interest Rate: 0.00% p.a. (zero point zero per cent);
 - Credit Purpose: "START-UP PALESTINE: financial vehicles and technical assistance to boost employment and income generation in Palestine".
- 3.2 The Soft Loan shall be used for financing the purchase of goods and services from local and/or from other neighbouring developing countries, up to the maximum



amount of 95% (ninety-five) per cent of the total amount of the Soft Loan. The remaining 5% (five) per cent shall be used for purchasing goods and services of Italian origin.

3.3 The Soft Loan, as described in the Article 3.3 of the Annex 1 of the MoU, is divided in the following components:

- 1) Euro 14.000.000,00 (fourteen million/00) for a credit line aimed at financing micro, small and medium enterprises projects, that shall be disbursed in two installments, in accordance with the procedure set forth in the Article 7;
- 2) Euro 3.000.000,00 (three million/00) for the financing of a CASC Capitalization Facility Scheme, that shall be disbursed in one installment, in accordance with the procedure set forth in the Article 8;
- 3) Euro 3.000.000,00 (three million/00) for the financing of the Credit Guarantee Scheme, that shall be disbursed in one installment, in accordance with the procedure set forth in the Article 9.

3.4 The Soft Loan cannot be used to finance:

- local taxes, non income/non profit taxes (including VAT) and custom duties;
- voluptuary or luxury goods;
- goods, services and civil works directly or indirectly connected to the policy or military activities;
- goods belonging to estate sector;
- interest owned by the beneficiary to any third party and provision for future debts and future losses of the beneficiary;
- investments in the free time sector, real estate, arms, drugs and alcoholics, tobacco and by-products, production and products forbidden by the European Union countries for import and export, on the basis of international agreements.

3.5 The Soft Loan shall be available in accordance with the terms and conditions set forth in this Agreement.

3.6 The interests accrued on money held in the STA - SLC if any, shall be recorded in financial statements, and used for the same purpose and with the same modalities for the financing of the Programme.

Article 4

Coming into effect of the Financial Agreement

4.1 This Agreement shall come into effect upon Artigiancassa having received the following documents:

- a) from the Borrower:



- i) a statement by the competent authority of the Palestinian National Authority, evidencing the authority of the Borrower to sign, in the name and on behalf of the Government of the Palestinian National Authority, this Agreement by a duly authorised person pursuant to the laws and regulations in full force and effect in the Palestinian National Authority and to undertake the obligations arising out of this Agreement;
- ii) the appointment in writing by the competent authority of the Borrower (through the Italian Consulate in Jerusalem) of the person or persons duly authorised to sign this Agreement, the Request of Disbursement in the form of Annex A) and the Acknowledgement of Indebtedness in the form of Annex B), referred to under Article 11 below. Such designation shall specify the name and the office of such person/s and contain the up to date "specimen form" of the signatures thereof. Any modifications thereof (if any) shall be transmitted in a timely manner by the Borrower to Artigiancassa;
- iii) the receipt of the communication from the Borrower, through MAE-DGCS, about the selection of the Auditing Company;
- iv) the receipt of the communication that the Advisory Committee has been established and the PFESP capacity to manage the Soft Loan components has been performed;
- v) a statement that certify the opening of the STA-SLC as specified in the definitions;

b) from MAE-DGCS:

- vi) the relevant "no objection" of MAE-DGCS to the Borrower on the appointment of the Auditing Company selected in accordance with the provisions contained in Article 5.

4.2 Artigiancassa shall, upon receipt and full satisfaction of the aforementioned documents, notify the Borrower and to MAE-DGCS, by letter or fax to be subsequently confirmed by letter, the date on which this Agreement shall have come into effect.

Article 5

Auditing Company

5.1 The Borrower shall entrust an Auditing Company, as per Art. 5.2 hereunder, with the task to carry out the auditing of the operations related to the Soft Loan. The cost of auditing services will be borne by DGCS; the Borrower will be the contracting authority.

5.2 The contract between the Borrower and the Auditing Company shall be submitted for approval to MAE-DGCS before signature.



- 5.3 The Auditing Company shall define a standard format of the Audited Financial Report. This format has to be approved by MAE-DGCS, Artigiancassa and the Borrower on the basis of the activities regulated in the PA and in the present Agreement, and it will be sent by the Borrower to MAE-DGCS and in copy to Artigiancassa.
- 5.4 The Audited Financial Report shall: (i) concern the financial, technical reports sent by the Borrower to Artigiancassa and MAE-DGCS, and (ii) consider the regularity and compliance to the conditions set up in this Agreement of every financial transaction relating to the Soft Loan.
- 5.5 The Auditing Company shall produce Audited Financial Reports, in accordance with Articles 7, 8 and 9 that must be approved by MAE-DGCS and Artigiancassa.

Article 6

Term for the Disbursement of the Soft Loan

- 6.1 The disbursement period of the Soft Loan will expire 36 (thirty-six) months after the date of the first disbursement. Such period may be extended by Artigiancassa only after prior requirement of the Borrower. Artigiancassa cannot extend the disbursement period in the event the Borrower or the Italian Competent Authorities disagree to such an extension and have so notified in writing Artigiancassa at least 30 (thirty) days before the expiry date of the disbursement period.
- 6.2 In the event that the disbursement period has expired and is not extendable, Artigiancassa, after having consulted with the Italian Competent Authorities, shall inform the Borrower of the cancellation of Artigiancassa's commitment relating to the unused funds.

Article 7

Conditions and modalities for the disbursement of the Soft Loan's Credit Line component

- 7.1 Artigiancassa shall execute the Requests of Disbursement, in accordance to the provisions specified herein. The amount of the credit line component under the Soft Loan will be disbursed in two installments, each one of Euro 7.000.000,00 (seven million/00), on the STA – Credit Line.
- 7.2 Each Request of Disbursement shall be executed within 30 (thirty) days starting from the date of receipt of the request by Artigiancassa.
- 7.3 *The first Request of Disbursement*, transmitted by the Borrower, in accordance with Annex A) for the amount of Euro 7.000.000,00 (seven million/00), shall be credited after:



- 1) the entry into force of this Agreement;
- 2) the issue of a statement by the Borrower, endorsed by the Advisory Committee, certifying that a proper functioning mechanism for the Credit Line component has been designed.

The Borrower shall send the above mentioned statement to MAE-DGCS, that shall confirm to the Borrower and in copy to Artigiancassa its approval.

7.4 *The second Request of Disbursement*, transmitted by the Borrower in accordance with Annex A) for the amount of Euro 7.000.000,00 (seven million/00), shall be credited after the disbursement of at least 2/3 and the commitment of at least 80% (eighty per cent) of the amount of the first instalment, and after MAE-DGCS and Artigiancassa verification and approval of the Audited Financial Report, attached to the Annex A), prepared by the Borrower and certified by the Auditing Company. MAE-DGCS and Artigiancassa shall inform the Borrower and the Auditing Company about the results of the verification within 20 (twenty)-calendar days from the receipt date of the Audited Financial Report. In case the Auditing Company points out some irregularities, Artigiancassa, in accordance with MAE-DGCS, will freeze the disbursement of the second instalment. Only after the explanation of such irregularities from the Auditing Company and the Borrower, the disbursement of the second instalment will be allowed.

7.5 Should some of the expenditures included in the Audited Financial Report not be approved by the Auditing Company, and/or by MAE-DGCS and Artigiancassa, the second installment shall be released only after the STA – Credit Line has been replenished by the Borrower with an amount equal to the expenditures not approved.

7.6 Once the total amount under the first instalment has been disbursed, an amount of at least 2/3 of the second installment has been disbursed and 80% (eighty per cent) has been committed, the Borrower will send to MAE-DGCS and Artigiancassa an Audited Financial Report certified by the Auditing Company. MAE-DGCS and Artigiancassa shall inform the Borrower and the Auditing Company about the results of the verification within 20 (twenty)-calendar days from the receipt date of the Audited Financial Report.

7.7 Should some of the expenditures included in the Audited Financial Report not be approved by the Auditing Company, and/or by MAE-DGCS and Artigiancassa, the Borrower shall replenish the STA – Credit Line with an amount equal to the expenditures not approved.

7.8 Once all funds under the second instalment have been committed and disbursed, the Borrower will send to MAE-DGCS and Artigiancassa a Final Audited Financial Report, prepared by itself and certified by the Auditing Company. MAE-DGCS and Artigiancassa shall inform the Borrower and the Auditing Company about the results of the verification within 20 (twenty)-calendar days from the receipt date of the Final Audited Financial Report.



- 7.9 The Borrower irrevocably undertakes to refund to Artigiancassa the amounts equal to the expenditures not approved by the Auditing Company and/or not approved by MAE-DGCS and Artigiancassa.
- 7.10 If any amount credited to the Borrower by Artigiancassa will not be utilised within 36 (thirty-six) months from the date of the last disbursement, that amount shall be immediately refunded to Artigiancassa by the Borrower. Such transfer, in accordance with MAE-DGCS, shall be made out without delay after the communication by Artigiancassa to the Borrower, and by all means, within a month from Artigiancassa's communication. In any case, the above mentioned deadline by which all the funds must be utilised, can be postponed if the Borrower notify to Artigiancassa and MAE-DGCS that all the activities have not yet completed.
- 7.11 After each disbursement of funds to the STA – Credit Line, Artigiancassa shall transmit by letter to the Borrower the repayment schedule of the amount disbursed, indicating the due dates relative thereto. Each and every repayment schedule, completed in accordance with the conditions set forth in Article 10 hereafter, shall be accepted by the Borrower in writing.

Article 8

Conditions and modalities for the disbursement of the Soft Loan's CASC Capitalization Facility Scheme component

- 8.1 Artigiancassa shall execute the Request of Disbursement in accordance to the provisions specified herein. The amount of Euro 3.000.000,00 (three million/00), corresponding to the CASC Capitalization Facility Scheme component, will be disbursed in one installment on the STA – Capitalization Fund. This amount shall not be used to replenish debts and/or finance unbalance of the beneficiary.
- 8.2 The Request of Disbursement for the amount of Euro 3.000.000,00 (three million/00) shall be executed within 30 (thirty) days starting from the date of receipt of the request by Artigiancassa, after:
- 1) the entry into force of this Agreement;
 - 2) the issue of a statement by the Borrower, endorsed by the Advisory Committee, certifying that a proper functioning mechanism for the CASC Capitalization Facility component has been designed.
- The Borrower shall send the above mentioned statement to MAE-DGCS, that shall confirm to the Borrower and in copy to Artigiancassa its approval.
- 8.3 After the utilization of the total amount disbursed, and, in any case, within 36 (thirty-six) months from the date of the disbursement, the Borrower will send to MAE-DGCS and Artigiancassa an Audited Financial Report, prepared by the Borrower and certified by the Auditing Company. MAE-DGCS and Artigiancassa shall inform the Borrower and the Auditing Company about the results of the



verification within 20 (twenty)-calendar days from the receipt date of the Audited Financial Report.

- 8.4 The Borrower irrevocably undertakes to refund to Artigiancassa the amounts equal to the expenditures not approved by the Auditing Company and/or not approved by MAE-DGCS and Artigiancassa.
- 8.5 If any amount credited to the Borrower by Artigiancassa will not be utilised within 36 (thirty-six) months from the date of the disbursement, that amount shall be, immediately, refunded to Artigiancassa by the Borrower. Such transfer, in accordance with MAE-DGCS, shall be made out without delay after the communication by Artigiancassa to the Borrower, and by all means, within a month from Artigiancassa's communication. In any case, the above mentioned deadline by which all the funds must be utilised, can be postponed if the Borrower notify to Artigiancassa and MAE-DGCS that all the activities have not yet completed.
- 8.6 After the disbursement to the STA – Capitalization Fund, Artigiancassa shall transmit by letter to the Borrower the repayment schedule of the amount disbursed, indicating the due dates relative thereto. The repayment schedule, completed in accordance with the conditions set forth in Article 10 hereafter, shall be accepted by the Borrower in writing.

Article 9

Conditions and modalities for the disbursement of the Soft Loan's Credit Guarantee Scheme component

- 9.1 Artigiancassa shall execute the Request of Disbursement in accordance to the provisions specified herein. The amount of Euro 3.000.000,00 (three million/00), corresponding to the Credit Guarantee Scheme component, will be disbursed in one installment on a STA – Credit Guarantee Fund.
- 9.2 The Request of Disbursement, transmitted by the Borrower in accordance with Annex A) for the amount of Euro 3.000.000,00 (three million/00), shall be credited after:
- 1) the entry into force of this Agreement;
 - 2) the issue of a statement by the Borrower, endorsed by the Advisory Committee, certifying that a proper functioning mechanism for the Credit Guarantee Scheme component has been designed.
- The Borrower shall send the above mentioned statement to MAE-DGCS , that shall confirm to the Borrower and in copy to Artigiancassa its approval.
- 9.3 After the utilization of the total amount disbursed, and, in any case, within 36 (thirty-six) months from the date of the disbursement, the Borrower will send to MAE-DGCS and Artigiancassa an Audited Financial Report prepared by the Borrower and certified by the Auditing Company. MAE-DGCS and Artigiancassa



shall inform the Borrower and the Auditing Company about the results of the verification within 20 (twenty)-calendar days from the receipt date of the Audited Financial Report.

- 9.4 The Borrower irrevocably undertakes to refund to Artigiancassa the amounts equal to the expenditures not approved by the Auditing Company and/or not approved by MAE-DGCS and Artigiancassa.
- 9.5 If any amount credited to the Borrower by Artigiancassa will not be utilised within 36 (thirty-six) months from the date of the disbursement, that amount shall be, immediately, refunded to Artigiancassa by the Borrower. Such transfer, in accordance with MAE-DGCS, shall be made out without delay after the communication by Artigiancassa to the Borrower, and by all means, within a month from Artigiancassa's communication. In any case, the above mentioned deadline by which all the funds must be utilised, can be postponed if the Borrower notify to Artigiancassa and MAE-DGCS that all the activities have not yet completed.
- 9.6 After the disbursement to the STA – Credit Guarantee Fund, Artigiancassa shall transmit by letter to the Borrower, the repayment schedule of the amount disbursed, indicating the due dates relative thereto. The repayment schedule, completed in accordance with the conditions set forth in Article 10 hereafter, shall be accepted by the Borrower in writing.

Article 10

Repayment of the Soft Loan

- 10.1 After the first disbursement of funds to the STA - SLC, Artigiancassa shall transmit by letter to the Borrower, the repayment schedule of the amount disbursed, indicating the due dates relative thereto. Artigiancassa shall send to the Borrower the said repayment schedule in compliance with Articles 7.11, 8.6 and 9.6.
- 10.2 Each amount credited by Artigiancassa to the STA - SLC shall be repaid according to the repayment schedule in n. 22 (twenty-two) consecutive, equal deferred semi-annual installments (hereinafter referred to as the "Principal Instalments"), the first of which falling due 252 (two-hundred fifty-two) months from the date of crediting of the first instalment on the STA - SLC. On the outstanding Principal Instalments effectively credited, deferred interest shall be calculated at a nominal annual rate of 0.00% (zero point zero per cent).
- 10.3 The Borrower undertakes to make all repayments due under this Agreement as well as under the Acknowledgement of Indebtedness without delay on the actual due date, for the corresponding amount in Euro, in favour of Artigiancassa or the



person/s entitled thereto. Such amounts shall be credited without deduction of any bank and/or exchange fee and/or taxes and without notice thereof by Artigiancassa or the persons entitled thereto being required. The Borrower will receive a notice before the due repayment date. If the Borrower, because of whatever reason, does not receive the above-mentioned notice, it will undertake anyway to make all repayments according to the repayment schedule without delay.

For each repayment the Borrower shall indicate to Artigiancassa the Financial Convention number and the total amount of the Soft Loan, and shall detail for each due date the amounts paid.

Article 11

Delivery of the Acknowledgement of Indebtedness

- 11.1** Within 60 (sixty) calendar days from the last Soft Loan disbursement expiry date set forth in Article 6.1, the Borrower shall deliver to Artigiancassa the Acknowledgement of Indebtedness duly signed and initialled by the Borrower on each page, in the form of Annex B).
- 11.2** The repayment schedule set forth in the Acknowledgement of Indebtedness shall be completed by summing up all principal instalments provided for in the relevant repayment schedule for each disbursement, in accordance with the provisions of Article 10.2.
- 11.3** Artigiancassa shall deposit the Acknowledgement of Indebtedness for record and administration thereof and shall from time to time register on the Acknowledgement of Indebtedness any payment of amount for principal and, as soon as all repayments contemplated in the Acknowledgement of Indebtedness shall have been made, it shall return the same to the Borrower duly signed for receipt.

Article 12

Borrower's commitment

The Borrower's commitment to pay the sums due under this Agreement and the Acknowledgement of Indebtedness related thereto is independent, absolute, unconditional and irrevocable.

Article 13

Impediments and force majeure

In case of impediments to the implementation of the Programme due to causes of force majeure (such as war, flood, typhoon, fire, earthquake, labour conflicts and strikes, act of any government and other causes) the provisions specified in the Article 10 of MoU shall be applied. Artigiancassa shall follow instructions of competent Italian Authorities related to the Programme activities.

Article 14

Disbursement Suspension

- 14.1 During the Soft Loan's disbursement period, Artigiancassa reserves the right to suspend any Request of Disbursement under Articles 7, 8 and 9 in the event of any default vis-à-vis Artigiancassa under this Agreement or in case a default occurs under any other soft loan granted by the Government of the Italian Republic to the Government or to State Agencies of the Palestinian National Authority, pursuant to Article 6 of Law no. 38 of February 9, 1979 and Article 6 of Law no. 49 of February 26, 1987 of the Italian Republic as amended from time to time. Artigiancassa shall timely inform the Borrower of such suspension.
- 14.2 Artigiancassa will execute any Request of Disbursement provided for under Articles 7, 8 and 9 in the event that the corresponding sums are made available by the Italian Competent Authorities. Artigiancassa shall not be deemed responsible vis-à-vis the Borrower in case the sums to be disbursed under the Soft Loan will not be available by the Italian Competent Authorities.

Article 15

Default interest

- 15.1 If for any reason whatsoever Artigiancassa does not receive the sums due for principal within the due date, the Borrower shall be bound to pay, on said sums, default interest from the due date up to the date of actual crediting in favour of Artigiancassa or of the person(s) entitled thereto.
- 15.2 Such default interest shall be calculated by applying the simple interest formula on an annual basis.
- Default interest shall not be calculated for the period of 35 (thirty-five) days immediately subsequent to the original due date and, thereafter, at the rate of 0.75% (zero point seventy-five per cent) up to the date of actual crediting in favour



of Artigiancassa. The latter default interest shall be periodically updated by the Italian Competent Authorities.

Article 16

Taxes

16.1 Any present or future tax which may be due in Palestine for any reason whatsoever related to this Agreement and to the Acknowledgement of Indebtedness, shall be exclusively borne by the Borrower.

16.2 Any tax due in Italy related to this Agreement shall not be borne by the Borrower.

16.3 Artigiancassa declares that it will avail itself of the tax status provided for under Article 19 of the Decree of the President of the Republic n. 601 of September 29, 1973, as amended from time to time.

Article 17

Governing Law

This Agreement shall be governed by and construed in accordance with Italian law.

Article 18

Settlement of disputes

18.1 The parties hereto shall endeavour to settle amicably any dispute arising from the interpretation and/or execution of this Agreement.

18.2 If these efforts should not lead to a settlement of the disputes within a reasonable period of time, the dispute shall be settled at a governmental level.

18.3 Should this effort also fail or (if the attempt is made) it does not result in a satisfactory result, all disputes arising from or in connection with this Agreement shall be finally settled under the Rules Arbitration of the International Chamber of Commerce, Paris, France, by an Arbitration Tribunal of three Arbitrators:

- one appointed by the Borrower;
- one appointed by Artigiancassa;
- the third arbitrator shall be appointed by the above mentioned Arbitrators or, in case of their disagreement, by the Chairman of the International Chamber of Commerce, Paris.



- 18.4 If the Borrower or Artigiancassa do not appoint their arbitrator within 30 (thirty) days from the request of the other party, the arbitrator shall be appointed by the Chairman of the International Chamber of Commerce, Paris.
- 18.5 The decision of the Arbitration Tribunal, who shall decide according to the law of the Italian Republic, shall be final and unconditionally binding on both parties without any possibility of appeal.
- 18.6 No disagreement nor dispute which may arise between the parties hereto shall suspend the obligation of the Borrower to pay, on the agreed due dates, all the amounts due under this Agreement and in particular all the amounts resulting from the repayment schedules set forth in Articles 7, 8 and 9 and from the Acknowledgement of Indebtedness relative thereto.

Article 19

Notices

Notices to be given pursuant to this Agreement shall be addressed as follows:

- Palestinian National Authority - Ministry of Finance P.O. Box 795
RAMALLAH PALESTINE
Tel +970 (0)2 297 8846/7/8 Fax +970 (0) 2297 8845
- Artigiancassa S.p.A. Revolving Fund Management Unit - Via Crescenzo Del
Monte 25, - 00153 ROME - ITALY
Office Telephone +39-06/5845374/414 Fax +39-06/5845466
fondorotativo@artigiancassa.it

Article 20

Original texts of the Financial Agreement

This Agreement is signed in three originals in English. Artigiancassa keeps two originals and the Borrower one original.

Artigiancassa S.p.A.



Signed in ROME on FEB 13th 2015

The Palestinian National Authority - Ministry of Finance



Signed in RAMALLAH on 2.1.0.1



(Form of Request for Disbursement)

Annex A)

From: (Borrower)
To: Artigiancassa

Financial Agreement of Euro signed by us in on and by
Artigiancassa in on

Pursuant to Article of the above mentioned Financial Agreement, we hereby request you to credit within 30 (thirty) days, to the STA – SLC (as defined therein) n. IBAN and opened with Bank, the amount of EURO(.....), provided that the pertaining funds have been made available by the Italian Competent Authorities (as defined therein).

The funds credited by you on the STA – SLC shall be utilised for the implementation of the Programme “.....”.

We hereby unconditionally and irrevocably undertake to repay the said amount of EURO, credited by you to the STA – SLC, according to the terms and conditions set forth in the above mentioned Financial Agreement.

Within 60 (sixty) days from the last Soft Loan disbursement expiry date, we undertake to deliver to Artigiancassa S.p.A. an Acknowledgement of Indebtedness for all the amounts disbursed under the above mentioned Financial Agreement.

Said Acknowledgement of Indebtedness shall be in the form of Annex B) of the above mentioned Financial Agreement.

Yours faithfully.

Date ...

(Borrower's signature)

.....



(Form of Acknowledgement of Indebtedness)

Annex B)

THE (BORROWER)

N.

Place and date of issue:

With regard to the Memorandum of Understanding between the Palestinian National Authority and the Government of the Italian Republic signed in ... on ... and the Financial Agreement between the Palestinian National Authority - Ministry of Finance (hereinafter the "Borrower") and Artigiancassa S.p.A. (hereinafter "Artigiancassa"), signed in ... on, and in on, the Borrower acknowledges receipt of the following amounts from Artigiancassa:

EURO on

EURO on

Therefore, the Borrower hereby unconditionally and irrevocably declares to be a debtor of the Artigiancassa, as administrator, on behalf of the Ministry of the Economy and Finance of the Italian Republic, of the Revolving Fund for Development Cooperation with registered office in Rome (Italy), Via Crescenzo del Monte, 27, for the principal amount of EURO (.....) which it undertakes to repay in ... (...) equal consecutive [semi-annual] instalments, the first of which falling due on and the last on, according to the repayment schedule set forth herein below.

The Borrower shall repay the Principal Instalments (as defined in the Financial Agreement) provided for under this Acknowledgement of Indebtedness, by crediting the relevant amounts in Euro, on the agreed due dates, in favour of Artigiancassa, or of the person/s entitled thereto, on the Banca Nazionale del Lavoro S.p.A. account, free of any Bank and/or conversion fees.

If Artigiancassa, for any reason whatsoever, including reasons beyond the Borrower's control, does not receive the amounts due for principal provided for under this Acknowledgement of Indebtedness within the due date, the Borrower shall be bound to pay, on such amounts, on the Banca Nazionale del Lavoro S.p.A. account, a default interest from the due date up to the date of actual crediting in favour of Artigiancassa or of the person(s) entitled thereto.

Such default interest shall be calculated by applying the simple interest formula. Default interest shall not be calculated for the period of 35 (thirty-five) days immediately following the original due date and, thereafter, it shall be calculated at the rate of ...% (.... per cent) per annum up to the date of actual crediting in favour of Artigiancassa.

.....

(Borrower's initials)

to be continued



Annex B) ctd.

Artigiancassa shall from time to time annotate on this Acknowledgement of Indebtedness any payments of principal.

As soon as all payments listed in the repayment schedule set forth herein below will have been made, this Acknowledgement of Indebtedness shall be returned to the Borrower, through Artigiancassa.

This Acknowledgement of Indebtedness is issued pursuant to the Soft Loan of Euro (.....) granted in conformity with Article 6 of Law n. 49 of February 26th, 1987 of the Italian Republic.

REPAYMENT SCHEDULE

Date of maturity	Principal instalments	Total
a)
b)
c)
d)
.....	
1)
2)
3)
4)
5)
6)
7)
8)
9)
10)
.....

(.....)

(Borrower's signature)

