



*Consulate General of Italy
Jerusalem*



سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE CONSULATE GENERAL OF ITALY IN JERUSALEM

AND

THE PALESTINE MONETARY AUTHORITY

IN THE FRAMEWORK OF THE PROGRAMME:



“START UP PALESTINE – Financial vehicles and technical assistance to boost employment and income generation in Palestine” (AID n. 10114)

Preamble

The Consulate General of Italy in Jerusalem (hereinafter “CG”) and the Palestine Monetary Authority (hereinafter “PMA”), 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 technical assistance activities in the framework of the initiative “START UP Palestine - Financial vehicles and technical assistance to boost employment and income generation in Palestine” (hereinafter “the Programme”)

- WHEREAS A strong relationship is established between the Government of Italy and the Palestinian National Authority, in particular through the implementation of significant bilateral cooperation;
- WHEREAS During the Joint Steering Committee held in Rome on November 23rd 2012, a pledge has been issued by the Government of Italy specifically for the implementation of cooperation initiatives in the Economic Development sector;
- WHEREAS The *Development Cooperation Framework Agreement between the Government of the Italian Republic and the Palestinian National Authority* has been signed in Rome on November 23rd 2012;
- WHEREAS The Palestinian National Authority within its *Palestinian National Development Plan 2014-2016 – State Building to Sovereignty* has highlighted the importance of “investing in economic empowerment and providing capacity building for the poor and vulnerable households” and “supporting small loan programmes to empower the poor and vulnerable groups, especially women and household with limited income”
- WHEREAS The Italian Development Cooperation (hereinafter “DGCS”) and the Palestinian Ministry of Finance 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 (Palestinian Funds for Employment and Social Protection, Cooperatives Associations for Saving and Credit and other financial non-banking institutions), as well as expanding the operational capacity of micro, small and medium enterprises, in order to stimulate employment opportunities in Palestine”;
- WHEREAS The DGCS Steering Committee has approved the Programme and committed to disburse the related funds on September 19th 2013 (DGCS Steering Committee decree n. 137);
- WHEREAS The DGCS strives to comply with the 2005 *Paris Declaration on Aid Effectiveness*, including strengthening the Palestinian National Authority's ownership over the development process;
- WHEREAS The official Memorandum of Understanding of the Programme has been signed in Ramallah by the Italian and Palestinian

Ministers of Foreign Affairs on July 17th 2014;

WHEREAS The Parties acknowledge that Italy has been one of the first countries to develop cooperative banking and introduce the model within the national legal framework; especially in the poorest rural regions, Italian cooperative banks have gone a long way to sustain inclusive economic growth, by being the first financial institutions to answer micro and small scale entrepreneurs' needs;

WHEREAS The PMA and Italian financial institutions can count upon a solid mutual relationship, which has been recently set forth by a Palestinian delegation visiting the Rome headquarter of "Banca d'Italia" and, during the same mission, the PMA staff had also the opportunity to give a closer look at the Italian cooperative banking model and get to know the local institutions and networks;

WHEREAS The PMA has started looking at the experience of Italian institutions in the credit and saving cooperative banking system, in view of adopting some of the good practices and models into the Palestinian financial market;

WHEREAS The Presidential Decree Nr. 9 (2010) introduces the concept of "specialized banks" in Palestine, as "banks offering specialized services" (Article 1); and moreover, the law entitles the PMA to define their scope of work as well as the technical, financial and administrative requirements that must be complied with to obtain the PMA license (Article 6);

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

Article 1. Purpose of the MoU

- 1.1 This MoU establishes a collaboration between the Parties in the framework of the Programme, regulating the implementation of the technical assistance activities for the benefit of the PMA.

Article 2. Parts of the MoU

2.1 This MoU consists of 5 Articles.

Article 3. Objective of the Programme

3.1 *General Objective.* Considering access to finance for small businesses as a key instrument to foster a substantial growth in employment rate and thus, income generation in Palestine, the Programme aims to tackle the need of credit of vulnerable categories and financing micro and small entrepreneurship's initiatives through providing technical assistance to existing financial institutions, as well as expanding the operational capacity of small and medium enterprises.

Article 4. Description of Technical Assistance Activities for the benefit of the PMA

4.1 *Background.* The Presidential Decree Nr. 9 (2010) introduces the concept of "specialized banks" in Palestine, as "banks offering specialized services" (Article 1). The law also entitles the PMA to define their scope of work as well as the technical, financial and administrative requirements that must be complied with to obtain the PMA license (Article 6). However, a bylaw regulating the "specialized banks" sector has yet to be issued.

4.2 *Scope of work and expected results.* The scope of the technical assistance to the PMA is to develop further the legal framework of the Presidential Decree Nr. 9 (2010) and set up all the supervision and regulation mechanisms needed to implement "specialized banks", including the saving and credit cooperative banking system, in Palestine. More specifically:

- Draft a bylaw defining what "specialized banks" are;
- Set up the Regulation framework (Licensing Criteria) for "specialized banks" (with a special focus on saving and credit cooperatives).
- Provide the needed technical assistance to the PMA employees (examiners & analysts) in the field of "specialized banks" (with a special focus on saving and credit cooperatives).
- Draft the manuals defining the basis and criteria for conducting the on-site and off-site examination and supervision of "specialized

banks” (in particular credit and saving cooperatives), in accordance to Risk-Based Supervision (RBS).

- Define a general framework about “specialized banks” in Palestine, clarifying:
 - Main differences between regular banks and “specialized banks”;
 - Economic benefits of introducing particular types of “specialized banks”, such as credit and saving cooperatives, in the legal framework.

4.3 *Activities.* Selected experts and consultants will work in close cooperation with the Supervision & Inspection Department of the PMA. Activities and results to be supported through the technical assistance will be agreed upon the parties on a yearly basis, according to a planning mechanism which will be defined -once the present MoU is signed. Activities eligible for the technical assistance might include (but not limited to):

- Reports and technical papers in order to:
 - Assess the demand and supply side of the Palestinian banking system, including for instance the credit gap that “specialized banks” are aimed to fill, the added value of particular types of “specialized banks” (such as credit and saving cooperatives), as compared to the existing financial institutions in Palestine, etc.;
 - Investigate the financial and administrative requirements and standards that Palestinian particular types of “specialized banks” (such as saving and credit cooperatives) should comply with;
- Consultancy services to draft and implement the bylaw mentioned above – such as financial, legal and economic advices in the field of the technical and financial requirements as well as the needed governance mechanisms for the “specialized banks”, including credit and saving cooperatives;
- Training modules in the specialized banking systems (credit and saving cooperatives system in particular) targeting selected PMA staff;

4.4 *Budget.* Activities falling within the scope of the technical assistance activities and results described above will be supported through the budget allocated to the Programme.

Article 5. Settlement of Disputes, Amendments and Entry into Force

- 5.1 Any dispute between the Parties arising out of the implementation of this MoU shall be settled amicably by consultations or negotiations between the Parties.
- 5.2 The Parties may amend this MoU at any time through an exchange of letter
- 5.3 This MoU shall enter into force after the signature of both Parties, and shall remain in force until the Programme's completion.
- 5.4 In case of major impediments to the implementation of the Programme, activities might be suspended. In this case, the resumption of the Programme's activities shall be authorized by the DGCS.

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

Done in Ramallah on 30/10/2017 in two originals, each in English language, both texts being equally authentic.

H.E. the Consul General
of Italy in Jerusalem

H.E. the Governor of the Palestine
Monetary Authority

Min. Davide La Cecilia

Dr. Jihad Khalil Al Wazir

