



TECHNICAL ARRANGEMENT

BETWEEN

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

AND

THE MINISTRY OF FINANCE & PLANNING OF PALESTINE (MOFP)

ON THE PROGRAM:

**SUPPORT TO THE REHABILITATION AND VALORISATION OF A PALESTINIAN LANDMARK:
THE CHURCH OF NATIVITY - BETHLEHEM**

Preamble

The Directorate General for Development Cooperation of the Ministry of Foreign Affairs and International Cooperation of the Italian Republic (hereinafter "DGCS") and the Ministry of Finance & Planning of Palestine (hereinafter "MOFP"), hereinafter referred to as the "Parties", have decided to enter into this Technical Arrangement, hereinafter referred to as the "Technical Arrangement", for the implementation of the Program **SUPPORT TO THE REHABILITATION AND VALORISATION OF A PALESTINIAN LANDMARK: THE CHURCH OF NATIVITY – BETHLEHEM** (hereinafter "Program").

- WHEREAS a strong relationship is established between the Italian Government and Palestine, in particular through the implementation of significant bilateral cooperation initiatives;
- WHEREAS During the First Joint Ministerial Committee held in Rome (November 23rd 2012) and the Second Joint Ministerial Committee held in Ramallah (June 29th 2015) a pledge has been issued by the Italian Government specifically for the implementation of cooperation initiatives in the sector of Cultural Heritage and Tourism.
- WHEREAS On November 23rd 2012, the *Development Cooperation Framework Agreement between the Government of the Italian Republic and Palestine* was signed by the Parties.

- WHEREAS Palestine is in the process of defining the National Policy Agenda 2017-2022. Italy is contributing to the definition of the Palestine-European Joint Strategy in support of and alignment with the National Policy Agenda (NPA).
- WHEREAS DGCS and MOFP have agreed to allocate part of the above mentioned pledge to support the restauration of the Church of Nativity in Bethlehem.
- WHEREAS AICS approved the program (hereafter "Program") and committed related funds, on July 24th 2017 (decree n. 48).
- WHEREAS DGCS strives to comply with the Paris Declaration Principles of Aid Effectiveness, including strengthening Palestine's ownership of the development process and alignment with national development strategies by providing technical cooperation support for capacity development requirements.

The Parties hereby agree to implement the Initiative as follows:

Article 1. Purpose of the Technical Arrangement

- 1.1 This Technical Arrangement 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 Technical Arrangement

- 2.1 This Technical Arrangement consists of 13 Articles and three annexes:
- Annex 1 - Project Document
 - Annex 2 - Procurement Guidelines
 - Annex 3 – Local Legislation
- 2.2 The above-mentioned annexes will be considered an essential and substantial part of the Technical Arrangement. In case of inconsistency, the Technical Arrangement herein shall prevail over the annexes.

Article 3. Program description

- 3.1 The Program aims to contribute to foster economic development in the tourism sector in Bethlehem Governorate and the West Bank by supporting, highly added value sectors such as restoration of historical monuments and services to visitors.
- 3.2 Specific Objective. The Program contributes to enhance visibility and accessibility of the most outstanding landmark of Bethlehem supporting the conservation and contributing to its management



- 3.3 Results. As described in the Program Document (Annex 1), within the time span of the intervention, the Program wants to achieve the following:
- The Church of Nativity's central nave columns and floor mosaic are rehabilitated by a group of international high level sectoral experts and practitioners and the authenticity and outstanding value of the World Heritage Property are enhanced and preserved.
 - A Maintenance and Monitoring Plan of the World Heritage Site is enforced by the Presidential Committee with the approval of the three Churches and a cost effective and sustainable management of the property is ensured.
 - Professional know-how of young local graduates on presenting and interpreting techniques of the World Heritage Site is built; accessibility and understanding of the historical landmark is enhanced and cultural and aesthetic experience of visitors and pilgrims is enriched.
- 3.4 The Program includes a grant component amounting to Euro 1,050,000.
- 3.5 The Italian Agency for Development Cooperation (hereinafter "AICS") shall be the implementing Agency of the Program.
- 3.6 Part of the grant component, amounting to Euro 975,000, will be transferred to MOFP as earmarked budget support for the benefit of the Presidential National Committee "Restoration of the Church of Nativity Bethlehem" hereinafter "PCCN"). The remaining part of the grant component will be managed by AICS for a total amount of Euro 75,000.
- 3.7 All the transactions on the grant component – budget support shall be recorded in financial reports issued by the PCCN, according to Art. 5 and Art. 9 of the present Technical Arrangement.
- 3.8 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 grant component and the AICS 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 Arrangement, ensuring that all Palestinian bodies involved in the Program will fulfil their obligations,
 - (b) The PCCN, 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 Technical Arrangement, ensuring that all Italian bodies involved will fulfil their obligations,
 - (b) The AICS – Jerusalem Office that will contribute to the management and supervision of the overall Program implementation and will act as:
 - the financing body,
 - the provider the technical assistance,
 - 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 Arrangement. The Parties will ensure that such Institutions will fulfil, for what concerns each of them, the obligations of the Technical Arrangement.
- 4.3 The Program will be implemented on the basis of an annual Operational & Financial Plan, prepared by the PCCN 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 PCCN 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:
- One representative of the PCCN – Chairperson of the AC.
 - One representative of the MOFP.
 - Two representatives of the Italian side.
- 4.6 AC meetings will be held on a six-month basis and will approve the Biannual Work Plans provided by the PCCN. Additional meetings may be called by the AC Chairperson, upon agreement of the other members. Decisions will be taken by consensus-based voting procedures.
- 4.7 Procurement procedures of the Program related to the execution of the Biannual Work Plans shall be carried out under the responsibility of the PCCN and shall abide to the Presidential Decree n. 1667 dated 15.12.2008, Presidential Decree n. 341 dated 30.01.2014 and Presidential Decision dated 16.01.2014 (prot. N. 184) (see Annex 3 – Local Legislation), as well as in compliance with Annex 2 – Procurement Procedures.

Article 5. Disbursement procedures of the earmarked budget support funds

- 5.1 The budget support funds of Euro 975,000 will be transferred in one instalment by AICS to MOFP as earmarked budget support for the benefit of the PCCN.
- 5.2 Funds will be transferred by AICS to a dedicated Single Treasury Account (STA) to be opened by MOFP at the **Bank of Palestine – Ramallah branch n. 206777-007** and named "**STA- NATIVITY**".
- 5.3 The MOFP will in turn transfer the funds to the Special Accounts at the **Bank of Palestine – Ramallah branch n. 3203974** opened by/for the PCCN and named "**Nativity PCN**" (hereafter, "Special Account").
- 5.4 The Special Account will be managed by the PCCN. The PCCN will prepare a Biannual Work Plan for the proposed biannual expenditures. Expenditures will be performed upon request from the PCCN and prior approval by the AC of the Biannual Work Plan.
- 5.5 Expenditures will be performed through bank drafts with mandatory signatures of authorized signatories of the PCCN.



- 5.6 Upon the signature of the present Technical Arrangement and the issuance of a letter of request from the MOFP to AICS containing the bank account details as per above paragraph 5.2, AICS will transfer the funds into one instalment.
- 5.7 The PCCN 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 Special Account and tracked in the financial records. A statement of the accrued interests should be submitted to AICS for tracking purposes. These funds can only be used for the benefit of the Program, for implementing activities, after formal agreement between the Parties.
- 5.9 At Program conclusion, a Final Report, as described at Art. 9 will be prepared by the PCCN 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 Technical Arrangement 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 is allowed through a decision of the AC, that shall timely communicate in writing the approved reallocation to AICS.
- 6.2 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; 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 organizing technical assistance missions.
- 7.3 To provide a total grant fund of Euro 975,000 to MOFP as earmarked budget support for the benefit of the PCCN. 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 Technical Arrangement, ensuring that funds will be used according to criteria of transparency, competitiveness and good governance.
- 8.3 To assure that the PCCN will:
- Open the Special Account, as described in Art. 5.3
 - Submit to the AC all Technical and Financial Reports foreseen in this Technical Arrangement, 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 will 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 Biannual Work Plans, 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.
 - an official financial statement of the Special Account.
 - 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 their 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 Technical Arrangement, 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 disbursement by DGCS

- 12.1 DGCS reserves the right to terminate this Technical Arrangement in the following events:



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- 12.2 In case of serious non-fulfilment by the MOFP and/or by the PCCN; this includes the following events:
- Untimely Program start-up, 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 Technical Arrangement 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 PCCN have been satisfied.

Article 13. Settlement of disputes, Amendments and Coming into effect

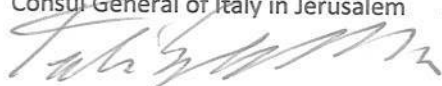
- 13.1 Any dispute between the Parties arising out of the implementation of this Technical Arrangement shall be settled amicably by consultations or negotiations between the Parties.
- 13.2 The Parties may modify this Technical Arrangement, including its Annexes, at any time. Any modification must be set out in written form such as an exchange of communications by Parties.
- 13.3 This Technical Arrangement shall come into effect upon its signature by both Parties.
- 13.4 This Technical Arrangement shall remain valid until Program's completion.
- 13.5 This Technical Arrangement does not undermine the rights and obligations deriving from other international agreements, multilateral and bilateral, that are binding for the Parties.

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

Done in Ramallah on 03/05/2018 in two originals, each in English, both texts being equally authentic.

For and on behalf of DGCS

FABIO SOKOLOWICZ
Consul General of Italy in Jerusalem



For and on behalf of MOFP

SHUKRI BISHARA
Minister of Finance & Planning