

DAI Europe Ltd  
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04 April 2016

**Framework Agreement:** PO 5651 – Fragile and Conflict Affected States (FCAS)

**Call-Down Contract:** PO No.6220

**Call-Down Contract For:** Palestinian Market Development Programme (PMDP) to improve the competitiveness of the private sector in the Occupied Palestinian Territories (OPT) - Amendment 3

With reference to the contractual letter dated 25 September 2013, to be read with any subsequent amendments issued thereof, whereby your firm was engaged to carry out the Terms of Reference as detailed in Section 4 Appendix 'A' Annex 'A' of the Contract, and with reference to DAI Europe's Proposal dated 17 February 2016 and to subsequent discussions thereof with the DFID Project Team, culminating in DAI Europe's email dated 28 March 2016, I confirm that the UK Government wishes to make the following amendments to the letter of 11 December 2014:

1. **Section 4, Appendix A, Financial Limit**

**Delete:** "£17,999,809" which should be read as "£17,999,685" and **Insert:** "£19,582,991"

2. **Section 4, Appendix A, Annex A, Terms of Reference**

Insert as addendum with the attached (Rev April 2016)

3. **Section 4, Appendix A, Annex B, Schedule of Price**

Insert as addendum with the attached. (Rev April 2016)

4. These amendments relate to (i) addition to existing scope to scale up Output 3 (ii) Revision to Terms of Reference, (iii) Revision to Financial Limit, and (iii) Revision to Schedule of Price.
5. Please confirm in writing by signing and returning one copy of this letter within 15 working days of the date of signature on behalf of DFID that you accept the amendments set out herein.
6. Please note the provision in the contractual letter that the financial limit of the UK Government's liability to the Supplier under this engagement shall not exceed the sum specified unless the amount of any such excess has been agreed by the Department for International Development in writing before the Supplier takes any action which might result in the financial limit being exceeded.

For and on behalf of the  
Secretary of State  
for International Development  
Manager

Name:  
Position: Procurement & Commercial  
Signature:  
Date: 04 April 2016

For and on behalf of  
DAI Europe Ltd.

Name:  
Signature:  
Date:

**Section 4, Appendix A, Annex A  
(Addendum, April 2016)**

**PALESTINIAN MARKET DEVELOPMENT PROGRAMME (PMDP)  
TO IMPROVE THE COMPETITIVENESS OF THE PRIVATE SECTOR IN THE OCCUPIED  
PALESTINIAN TERRITORIES (OPTS)**

**TERMS OF REFERENCE FOR PROGRAMME IMPLEMENTATION**

***Amendment to contract (6220)  
Additional funding for the Palestinian Market Development Programme to scale up  
Output 3***

**Introduction**

The Palestinian Market Development Programme (2013-2019) worth of £19.3m, co-financed by the EU (£4.3m) and the UK, aims to improve the competitiveness of the private sector in the OPTs, and thus help to improve private sector-led growth in the OPTs. Output one provides technical advice and matching grants to share the risk with 560 Palestinian businesses in both the West Bank and Gaza to develop new higher value products and compete in new markets. It will also help 150 firms in Gaza experienced damage due to the recent conflict to re-launch operations. Output two undertakes market analysis to identify and address market failures. The third output works to strengthen inward investment and transfer of 'know how'.

The programme's total budget is £19.3 million over six years, of which the DFID contribution is £15 million (the EU funds the remainder). The EU, through a new delegation agreement with DFID, has agreed to top up the programme with additional Euro 2m to support the enabling environment for Investment and Trade in the OPTs.

These Terms of Reference (ToRs) should be read in conjunction with the original ToR of the PMDP, Business Case, and previous amendment documents.

**Context and need**

In spite of some progress, the environment to make investment and business development conducive needs to be improved. The World Bank "doing business" ranking is a tool that can be used to compare the OPTs to other regional and global countries, as the ranking reflects how successful governments and policy makers are in providing a business environment conducive for businesses and investments. The 2016 "Ease of doing business" ranked the West-bank and Gaza at number 129 out of 189 countries. The regional average ranking was 114, while Turkey was ranked 55, and Jordan at 117.

The Ministry of National Economy is in charge of the formulation of policies that support private sector development, however, conditions for enterprise development is also spread over different government agencies. The Ministry supervises the activity of the Palestinian Standards Institute (PSI) and of the Palestinian Investment Promotion Agency (PIPA) - an independent state agency for the promotion of foreign direct investment and of domestic investment. Another important actor is PalTrade – a non-profit, membership based organisation with a national mandate for the promotion and facilitation of trade and exports.

The National Development Plan (PNDP) 2014-2016 presents as a strategic goal the promotion of investment and of national products. The PNDP highlights the need to increase the size of investments and diversify exports in order to foster jobs creation and growth. For this purpose "the government will work on implementing priority policies to develop a just and stable legislative environment that encourages the work of the private sector and investments". The PNDP further aims at facilitating the "processes of import and export and promotion and marketing of Palestinian products abroad", and emphasises the need to increase and diversify exports in order to foster growth and development of the Palestinian economy. To achieve this goal, the PA, in close cooperation with the private sector, has

designed a National Export Strategy (NES) with the support of the EU funded 'Trade Diversification and Competitiveness Enhancement Programme'. The NES, which was endorsed by the Cabinet, provides a comprehensive policy framework for Trade and competitiveness enhancement.

### **The Objective**

To scale up output three of PMDP to support investment enabling environment in the OPTs.

### **Recipient**

The contract will be with DFID Palestinian Programme. The recipient of the services will be the Palestinian private sector who will benefit from improved business enabling environment.

### **Scope of Work**

The new top up aims to address the need for a scaled-up support to the investment enabling environment under output three of PMDP: Improvement of Trade and Investment linkages with international market. The scaling up the support will help relevant line ministries and institutions that are recognised as potential stakeholders and partners keen on improving the trade and investment enabling environment. This will encompass reinforced support to the MoNE and PIPA as identified during the implementation of the PMDP including reform of the legislative framework and strengthening of links and cooperation with other trade institutions such as Pal Trade.

The PMDP work plan, detailed in PMDP's inception report, presented a strategy for short, medium and longer-term engagements with PIPA. While the initial PMDP activities focus on the short term gaps and needs, under the additional funds PMDP is expected to be complementing these actions to address medium and long term needs. The strategy is designed to assist PIPA (in close coordination with the Ministry of National Economy) in the implementation of a change management plan that corresponds to a new vision and strategy.

PMDP, through its ongoing engagement with key stakeholders (particularly with the Palestinian Investment Promotion Agency (PIPA)), has gained major insights into the requirements for strengthening trade and investment linkages with international markets. PMDP has consequently identified several areas where these linkages, along with the capacity of PIPA, can be strengthened to lead to additional impact. This will include the need for additional experts and project staff time to support the new PIPA's management plan.

The costed contract amendment to PMDP is expected to deliver the following three main results:

- Improved regulatory framework for an enabling environment for trade and investment.
- Improved performance of PIPA, through enhanced staff skills and modernisation of tools and products for the provision of quality services.
- Improved cooperation between trade and investment promotion agencies (mainly PIPA and PalTrade), aiming at implementing recommendations of the National Export Strategy (NES) including the development of a "Branding Palestine" strategy.

### **Implementation methodology**

DAI Europe is required to continue managing the programme and deliver on all of its outputs per the original ToR. As for the costed contract amendment, the additional activities will be carried out within the same implementation framework and timeframe (continue to be implemented over six years, the last year will be for closing and evaluating the programme)

of the original contract. The scaled up activities are also expected to be implemented in close coordination and synergy with current or planned implementation plan.

DAI Europe is expected to provide a work plan for the new activities and to be synchronized with PMDP's annual implementation plan once implementation starts.

#### Compliance with Gender Equality Act 2014

It is essential that all our programmes are compliant with the Gender Equality Act (see attached smart guide on gender). The supplier is expected to ensuring that the programme and the amendment respond to men and women and boys and girls differential needs, and that we support equitable benefits across the different genders.

#### **Risks and assumptions**

The implementation of the identified activities could be affected by possible risks ranging from the overall political conditions to the absorption capacity of partner organisations of the assistance provided. DAI Europe is expected to update the risk register and the logframe detailing the risks associated with each of the envisaged results.

#### **Programme Monitoring and Reporting**

Reporting will be conducted under the same arrangements as already established for PMDP. Results will continue to be managed by a DFID Project Officer, and quality assured by the DFID Private Sector Adviser in Jerusalem, and the Economic Development Team leader (acting as the Senior Responsible Owner (SRO)). DFID's interface with the implementing partner will continue to take place through regular meetings PMDP's Team Leader and staff, as well as through sporadic but regular visits to the implementing organisation and beneficiary firms (where possible due to the security situation).

All additional targets need to be incorporated into the programme's logframe. A revised logframe is expected to be submitted. Performance indicators, milestones and other project deliverables will be monitored on quarterly basis by DFID staff and the Steering Committee.

The evaluation supplier procured for the entire lifetime of the initial PMDP project will be extended to cover the additional activities under this ToR. DAI Europe is expected to work closely with the evaluation supplier and provide the necessary data and information.

#### **Timing**

The cost extension will not affect the duration of the contract 6 years; 5 years of implementation and (the final year is only for closing the programme activities and evaluation). The timeframe of the original contract may be extended depending on annual reviews recommendations, and potential scaling up based on evidence of needs and resources.

#### **Performance Requirements**

DAI must ensure that the overall programme plan is delivered to a minimum standard of 98% performance to plan. This means that all tasks must be completed on time and to required quality levels 98% in each quarter.

All reports submitted to DFID must be error free, correct and submitted on time to agreed quality standards, reporting templates 100% of the time.

DAI must operate within the financial plan as per their tender. No deviation will be accepted and any overspends will require to be met by DAI.

#### **Finances**

The payments methodology will remain as per the original TOR of the programme

### **Security**

DAI Europe must conform to DFID information security policy at all times and confirmation of this must be included in the annual audit report confirming adequacy of control.

### **Constraints**

None Identified

### **Implementation Requirements**

As soon as the contract is signed, PMDP is expected to immediately identify and bring on board the resources needed.

### **Procurement and contractual requirements**

DAI must ensure full compliance with DFID policy and procedures for any third party expenditure.

DAI must follow the EU procurement rules for all procurements. And continue adhering to the DFID and the EU procurement rules which were signed upon the awarding of the programme contract.

### **Background documents**

- Programme's logframe
- PMDP signed contract and ToRs

April 2016