



GUIDING PRINCIPLES FOR THE BILATERAL COOPERATION MECHANISM

**of the Memorandum of Understanding (MoU)
for Cooperation in the field of Sustainable Development**

between

**THE MINISTRY OF ENVIRONMENT AND ENERGY SECURITY
OF THE ITALIAN REPUBLIC**

and

**THE MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT
OF THE REPUBLIC OF CUBA**



1. Scope of the document

This document establishes the guiding principles applicable to projects and activities to be developed under the Memorandum of Understanding (MoU) on cooperation in the field of sustainable development between the Ministry of Environment and Energy Security of the Italian Republic (MASE) and the Ministry of Science, Technology and Environment (CITMA) of the Republic of Cuba, hereinafter jointly referred to as “the Participants”, signed on November 14th, 2022 in Sharm El Sheikh, Egypt.

The guiding principles defined in this document apply as well to the implementation of cooperation projects and initiatives which have been approved, already started and not yet concluded, in the framework of the Memorandum of Understanding on cooperation in the field of climate change vulnerability, risk assessment, adaptation and mitigation between the Ministry for the Environment, Land and Sea of the Italian Republic, now MASE, and CITMA, signed on July 14th, 2017, in Havana, Cuba and now expired.

2. Workflow for project proposal and approval

The JC approves a triennial Work Plan (WP) which identifies priority areas and subjects for cooperation projects and initiatives with reference to their contribution to Sustainable Development Goals (SDGs), the objectives of the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (CBD) and the United Nations Convention to Combat Desertification (UNCCD), other relevant international agreements, Cuba’s Nationally Determined Contribution (NDC) under UNFCCC and other relevant national strategies/policies. After three years from the approval of the Work Plan, MASE and CITMA shall decide whether update it for a period of two years or approve a new WP.

Additionally, MASE proposes and the JC adopts formats, templates and standard procedures for all steps of projects’ life cycle, that have to follow a Result-Based Management (RBM) approach, measuring the changes realized and impacts in the short (output), medium (outcome) and long (goal) term. The formats and templates are: Concept Note (CN), Full Project Proposal (FPP), Progress and Final Technical and Financial Reports.

CITMA may present to the JC Concept Notes (CN) and Full Project Proposals (FPP). The JC may approve or discard them or propose amendments.

The CN contains a brief presentation of the project, its coherence with the MoU and the WP approved by the JC, its outputs, its outcomes, its long-term impacts in the implementation of Cuban National Plan for Social and Economic Development until 2030 (PNDES 2030), the expected duration and its estimated budget.

The FPP further details the proposed project, delineating its structure, its outputs, its outcomes, its long-term impacts in the implementation of PNDES 2030, as well as its governance, risk analysis, monitoring scheme, expected timeline. It also provides a detailed budget for each foreseen Work Package/activity subdivided in budget lines, with expected sources of funding and the proposed subdivision in tranches for the transfer of MASE’s contribution. The subdivision in tranches has to be consistent with the

planning of activities and related expected cost, and has to foresee a gradual disbursement of the funds, allowing appropriate monitoring on their use over the project's implementation.

CITMA will control that each entity designated to implement cooperation projects or initiatives in the framework of the MoU will allocate a financial or *in-kind* contribution, to guarantee the fulfillment of the above mentioned actions. The financial contribution has to be made explicit in the budget and in the technical and financial reports.

The implementation of each cooperation project or initiative may start only after the approval of the related FPP by the JC, its approval by the corresponding Cuban authorities and the taking over by the designated implementing agency. The effective starting date of project's activities is to be communicated by CITMA to MASE in writing, together with confirmation of the project's expected duration.

3. Financial resources transfer

In order to ensure financial traceability and transparency, the procedure for transferring the financial resources allocated by MASE for bilateral cooperation activities follows these steps:

- CITMA arranges or controls the identification of a dedicated bank account for the implementation of projects and initiatives under the MoU and formally communicates it to MASE;
- CITMA formally communicates to MASE the person or persons authorized to act as administrator of the dedicated bank account, in order to use and dispose the contributions within the scope and provisions of the MoU; any changes are promptly communicated to MASE;
- CITMA also formally submits to MASE a specific and detailed request, including the bank account details, for the disbursement of each installment of the funds allocated by MASE for the implementation of that project, in line with the subdivision in tranches set out in the approved FPP;
- Resources may be transferred directly to the implementing agency selected under the provision of Art. 5- Implementing Agencies.
- The first tranche of funds is in principle transferred before the beginning of project activities as advance payment. The subsequent tranches are only transferred after the approval by MASE of the technical and financial report on the use (spent and committed) of at least 80% of the previous tranche. The financial report has to be supplemented by invoices or any kind of supporting document in order to justify as necessary all costs and commitments incurred in the project implementation since the effective starting date of the project communicated to MASE;
- MASE allocates its financial contribution usually through the Facility Fund for Environmental Cooperation (FFEC) established within *Cassa Depositi e Prestiti* (CDP), the Italian finance institution in charge of providing financial services for international cooperation. In other cases, the financial contribution may be allocated directly through MASE's account;

- If the funds are to be transferred through CDP, for each tranche of payment MASE also requests CITMA to submit specific documentation that is required in application of the Italian anti-laundering legislation, for any type of payment and for all beneficiaries of MASE funds, including governmental public institutions. The above mentioned documentation will be indicated previously by MASE. After verification of the documents by CDP, MASE authorizes CDP to transfer the requested resources to the dedicated bank account.

After expiration of the MoU, any balance from MASE contribution remaining in the dedicated bank account has to be returned to MASE or disposed of as agreed by the Participants.

4. Procurement Procedures

In case of projects and/or activities requiring external *know-how* and/or technical support and/or equipment purchase, the procurement procedures and related standards are discussed at the JC level. Possible decisions taken by the JC on this matter are to be reported in a dedicated document.

The Participants are to be informed in due time about any procedure about to be undertaken and in any case before its launch, in order to ensure the widest possible participation to competitive tendering and the required transparency.

5. Implementing agencies

CITMA may opt to avail itself of implementing agencies for the preparation, management, implementation and monitoring of cooperation projects and initiatives, in accordance with the provisions of articles 3 and 4 of this Guiding Principles, which implies for all purposes that the implementing agency in question must assume all the responsibilities detailed therein. Likewise, the implementing agency selected by CITMA will be able to mobilize additional funding, and for any other services instrumental to the cooperation activities foreseen by the MoU.

The entrustment of a project to an implementing agency is discussed and approved by the JC. The costs for such technical support have to be included in the project budget to be approved by the JC. The JC may also agree, in written form, that the implementing agency is the direct recipient of the funds allocated by MASE for the project. In such a case, the financial resources are transferred following the procedure outlined above in *Art. 3 – Financial resources*.

Even if the implementation of a project and the direct management of related funds is entrusted to an implementing agency, the responsibility for its implementation and financial liability lies with CITMA. Accordingly, CITMA has to approve in written form all financial and technical reports and fund disbursement requests submitted by the implementing subject to MASE. Changes to the project's timeline, extensions of the implementing period, activity and budget modifications requested by the implementing subject have to be approved by the JC or by exchange of formal letters.

6. Management of project delays, changes and unspent funds

Once approved by the JC, the projects should be started in due time according to the expected timeline. In case of projects approved but not yet started within 1 year from their date of approval, the JC jointly agrees on their future and takes relevant decisions.

If there is any unforeseen delay during the implementation of the activities compared to the approved timeline, CITMA has to submit an updated timeline to be approved by the JC or by exchange of formal letters. If such delay entails a postponement of the project's expected closing date, CITMA has to formally submit a justified extension request to be approved by the JC or by exchange of formal letters. The request has to be submitted in due time and in any case before the expected closing date and has to be adequately justified. The request also has to include an updated technical and financial report. The approved updated timeline and expense planning have to be considered as an amendment to the FPP.

If one or more of the planned activities have to be modified or cancelled, an amended version of the FPP has to be submitted to be approved by the JC or by exchange of formal letters.

If unforeseen changes or increases in expenditures or commitments compared to the approved budget occur or are expected, an amended budget has to be submitted for JC approval, specifying, if relevant, the sources for the additional funding needed. The approved revised budget has to be considered as an amendment to the FPP.

Any savings of MASE contribution resulting from unspent funds after the project's conclusion are disposed of as agreed by the JC.

7. Technical monitoring

The JC adopts a Monitoring and Evaluation Framework (M&EF), aiming at ensuring the relevance, effectiveness, efficiency, sustainability, impact, dissemination, ownership, transparency and mutual accountability of cooperation projects and initiatives. The M&EF provides procedures and indicators for the *ex ante*, *in itinere* and *ex post* evaluation of projects and their monitoring.

The M&EF is applied, with the necessary adjustments, to all projects under the MoU. Each FPP has indeed to include a monitoring scheme, indicating the project's targets at output, outcome and goal level and identifying appropriate indicators to assess progress. The project's goal has to be consistent with the priority areas and subjects of cooperation identified in the WP.

CITMA will control that each entity designated to implement cooperation projects or initiatives in the framework of the MoU, will prepare the following technical reports:

- a) an inception report (optional), to be recommended case-by-case by the JC;
- b) a progress technical report on the project implementation status, providing an update on its progress towards the targets. The progress technical report describes, with accurate and appropriate details, the project activities carried out in the reporting period, in line with the

approved timeline, and the current status of each Work Package. The progress technical reports are to be presented at least on an annual basis; the FPP may establish a more frequent basis in accordance with the project's expected duration and with the subdivision in tranches of payment of MASE's contribution;

- c) a final technical report within six months from its conclusion. The final technical report has to include an evaluation of the project's overall impact, communication and dissemination products, projected long-term sustainability and possible follow-ups/replication, lessons learned and best practices, and its contribution towards the achievement of SDGs, the objectives of UNFCCC, CBD, UNCCD, other relevant international Agreements and national strategies/policies. The final technical report also has to detail all steps and processes undertaken for the project's administrative and operational closure, including, if relevant, agreements on property and handover of goods acquired in the framework of the project.

MASE examines the reports and approves them or requests integrations/clarifications/amendments in due time.

During the approval of each project, the JC decides whether to foresee a final external technical evaluation to be carried out by a third independent party within six months of its conclusion, whose costs will be included in the project budget.

8. Financial monitoring

In view of adequately monitoring the financial expenditures related to the implementation of cooperation projects and initiatives, CITMA will control that each entity designated to implement those activities will prepare the following financial reports:

- a) a progress financial report on the project financial status, providing an update on incurred expenditure and commitments, and expenditure planning over the following reporting period. The progress reports are to be presented at least on an annual basis; the FPP may establish a more frequent basis in accordance with the project's expected duration and with the subdivision in tranches of payment of MASE's contribution;
- b) a final financial report within six months from its conclusion, providing an overall financial summary of all incurred expenditure for the project.

Progress and final financial and technical reports have to be aligned as for the reporting period and submitted jointly.

During the approval of each project, the JC decides whether to foresee a final financial audit to be carried out by a third independent party, whose costs will be included in the project budget.



9. Validity

These Guiding Principles enters into force at the date of approval by the JC and remain valid for the entire duration of the MoU. In the event of a conflict between these Guiding Principles and the MoU, the latter prevails.

**For the Ministry of Environment and
Energy Security of the Italian Republic**

**For the Ministry of Science, Technology
and Environment of the Republic of Cuba**

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