Partnership for Infrastructure Development in the West Bank and Gaza Multi-donor Trust Fund Grant Agreement (Local Governance and Services Improvement Program) between

PALESTINE LIBERATION ORGANIZATION (for the Benefit of the Palestinian Authority)

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION (acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund)

Dated March 14th, 2017
AGREEMENT dated \textcolor{blue}{March 14th}, 2017, entered into between: the PALESTINE LIBERATION ORGANIZATION (the “Recipient”) (for the benefit of the Palestinian Authority); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as an administrator of grant funds provided by various donors (“Donors”) under the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (“Trust Fund”).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Program

2.01. The Recipient declares its commitment to the objective of the Program described in Schedule 1 to this Agreement (“Program”). To this end, the Recipient shall through the Palestinian Authority carry out the Program in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount of thirteen million United States Dollars (US$13,000,000) ("Grant") to assist in financing the Program.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Donors to the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned Trust Fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

   (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

   (b) The Program has been modified or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objective of the Program.

   (c) (i) Subject to sub-paragraph (ii) of this paragraph: the right to withdraw the proceeds of a Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of a TFGWB Grant Agreement; and

   (ii) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, or termination was not caused by the failure of the Recipient of the Co-financing to perform any of its obligations under the TFGWB Grant Agreement; and (B) adequate funds for the Program are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.
(d) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

(e) MDLF Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MDLF to perform any of its obligations under this Agreement.

**Article V**

**Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied in a manner and in form and substance satisfactory to the World Bank:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and/or corporate action.

(b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Palestinian Authority.

(c) The TFGWB Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(b) the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms.
5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Palestinian National Authority
Ramallah, West Bank and Gaza

Telephone: 970-2-297 8846
Facsimile: 970-2-297 8845

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Ramallah, West Bank, as of the day and year first above written.

PALESTINE LIBERATION ORGANIZATION
(for the Benefit of the Palestinian Authority)

By

Authorized Representative

Name: Shukry Bishara
Title: Minister of Finance and Planning

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION (acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund)

By

Authorized Representative

Name: MARINA WES
Title: COUNTRY DIRECTOR
SCHEDULE 1

Program Description

The objective of the Program is to strengthen the local government financing system and improve local service delivery in Program Villages.

The Program is a part of the Palestine Authority's public sector reform program as outlined in the National Development Plan 2014-2016 (NDP 2014) and in the supplemental sector strategies developed by MoLG.

The Program comprises the following activities:

Part 1. Supporting local services delivery through provision of Annual Capital Investment Grants to eligible VCs for carrying out activities identified in the Annual Capital Investment Plans (ACIPs).

Part 2. Supporting community infrastructure development through the provision of Conditional Capital Investment Grants to eligible JSEs for carrying out projects identified in the ACIPs jointly developed by two or more VCs (Joint Projects).

Part 3. Strengthening the capacity of VCs and JSCs to improve their local governance functions, service delivery, and prepare and implement ACIPs; and strengthening the capacity of relevant agencies at the central level, including *inter alia* MoLG and MDLF, to effectively implement the Program.
SCHEDULE 2
Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article II of the Standard Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the World Bank ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Grant proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Program Institutional Arrangements and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall ensure, at all times during the execution of the Program, the carrying out by the following institutions of responsibilities for Program implementation described herein below:

(a) Central level

(i) Program Committee to be responsible for the overall coordination, approving the Annual Capital Investment Grant allocations financed under the Program; and providing overall policy direction for the Program;
(ii) MoLG to be responsible for the overall coordination and oversight for implementation of the Program and for implementing Parts 1 and 3 of the Program; and

(iii) MDLF to be responsible for providing implementation support for the implementation of the Program, including Program management functions as Program secretariat.

(b) Local level

(i) MDLF to be responsible for the organization and management of the community infrastructure development activities under Part 2 of the Program; and

(ii) VCs and JSCs to be responsible for the implementation of local service delivery activities in their respective areas under Part 1 of the Program.

2. **Subsidiary Agreement**

(a) To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a subsidiary agreement between the Recipient and the Palestinian Authority, under terms and conditions satisfactory the World Bank ("Subsidiary Agreement"), through which the Recipient shall cause the Palestinian Authority:

(i) to perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority therein set forth;

(ii) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Program;

(iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Program; and

(iv) to carry out the Program in accordance with the Anti-Corruption Guidelines.

(b) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient, the Palestinian Authority and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
3. **Program Operations Manual**
   
   (a) The Recipient shall carry out the Project in accordance with the Project Operations Manual, wherever applicable, which includes *inter alia*:

   (i) detailed institutional, administrative, financial, technical and operational guidelines and procedures for the implementation of the Program;

   (ii) description of the investment and capacity building activities to be financed under the Program and the associated DLIs/DLRs; and

   (iii) performance assessment guidelines containing detailed protocols, guidelines, procedures and other arrangements for the carrying out of Annual Performance Assessments, including, *inter alia*, a methodology for determining the achievement of DLRs for each FY.

   (b) The Recipient shall thereafter ensure that the Program is carried out in accordance with the Program Operations Manual; and shall not amend, abrogate or suspend, or permit to be amended, abrogated or suspended, any provision of the Program Operations Manual, without the prior written agreement of the World Bank. Notwithstanding the foregoing, if any provision of said Program Operations Manual is inconsistent with the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. **Additional Program Implementation Arrangements**

   The Recipient shall carry out the Program Action Plan in accordance with the schedule set out in the said Program Action Plan in a manner satisfactory to the World Bank.

**Section II. Excluded Activities**

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the World Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$50,000,000 equivalent or more per contract; (2) goods, estimated to cost US$30,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost US$20,000,000 equivalent or more per contract; or (4) consultants’ services, estimated to cost US$15,000,000 equivalent or more per contract.
Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 2.07 of the Standard Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 2.07 of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

C. Annual Performance Assessment

1. The Recipient shall, for each FY throughout the period of implementation of the Program:

   (a) cause the Independent Verification Agent to carry out, in accordance with the Program Operations Manual (containing the Verification Protocols therein), Annual Performance Assessment covering a FY to determine: (a) whether the DLRs for said FY have been met or the extent that DLRs have been met; (b) the disbursement amount for said FY based on the calculation formula as stipulated in the Program Operations Manual; and

   (b) furnish said Annual Performance Assessment, by not later than February 15 each year (for the first assessment, not later than February 15, 2017), to the World Bank for its review and approval.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify from time to time to the Recipient to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as
measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Grant to each Category:

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI #1: Enabling steps to strengthen local governance adopted by MoLG.</td>
<td>DLR #1.1: MoLG adopted standardized Governance Framework for joint local service provision by more than one VC and adopted formula for Annual Capital Investment Grant allocation for VCs/JSCs.</td>
<td>DLR#1.1: 0</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>DLR #1.2: The MoLG issued Procurement Instructions for LGUs to follow in procuring local services.</td>
<td>DLR#1.2: 0</td>
<td></td>
</tr>
<tr>
<td>DLI #2: Timely communication to VCs of the formula-based Annual Capital Investment Grant (ACIG) allocations and timely transfer of ACIGs to eligible VCs.</td>
<td>DLR #2.1: Communication of the ACIG allocation to VCs by January 15 and transfer of AGICs to eligible VCs by January 31, in FY 17.</td>
<td>DLR#2.1: 0</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>DLR #2.2: Communication of the ACIG allocation to VCs by January 15 and timely transfer of ACIGs to eligible VCs by January 31, in FY 18.</td>
<td>DLR#2.2: 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DLR #2.3: Communication of the ACIG allocation to VCs by January 15 and transfer of ACIGs to eligible VCs by January 31, in FY 19.</td>
<td>DLR#2.3:$800,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DLR #2.4: Communication of the ACIG allocation to VCs by January 15 and transfer of ACIGs to eligible VCs by January 31, in FY 20.</td>
<td>DLR#2.4:$800,000</td>
<td></td>
</tr>
<tr>
<td>DLI #3: Percentage of VCs meeting the Program eligibility criteria annually.</td>
<td>DLR #3.1: 50% in FY 17.</td>
<td>DLR#3.1: 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DLR #3.2: 60% in FY 18.</td>
<td>DLR#3.2:$1,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DLR 3.2: &lt;40%: 0 40%: $750,000 Each 1% increase over 40% is additional $12,500 &gt;60%: $1,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| DLR #3.3: 70% in FY 19. | DLR#3.3: $1,500,000 | DLR#3.3: <50%: 0
50%: $1,300,000
Each 1% increase over 50% is additional $20,000
>70%: $1,500,000 |
|-------------------------|----------------------|------------------|
| DLR #3.4: 70% in FY 20. | DLR#3.4: $1,500,000 | DLR#3.4: <60%: 0
60%: $1,300,000
Each 1% increase over 60% is additional $20,000
>70%: $1,500,000 |

### DLI #4: Cumulative number of Joint Projects approved.

<table>
<thead>
<tr>
<th>DLR #4.1: 6 Joint Projects approved in FY 17.</th>
<th>DLR#4.1: $1,000,000</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #4.2: 10 Joint Projects approved in FY 18.</td>
<td>DLR#4.2: $1,000,000</td>
<td></td>
</tr>
<tr>
<td>DLR #4.3: 14 Joint Projects approved in FY 19.</td>
<td>DLR#4.3: $1,000,000</td>
<td></td>
</tr>
<tr>
<td>DLR #4.4: 18 Joint Projects approved in FY 20.</td>
<td>DLR#4.4: $1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

### DLI #5: Aggregated expenditure percentage of approved Joint Projects

<table>
<thead>
<tr>
<th>DLR #5.1: 30% in FY 18.</th>
<th>DLR#5.1: $500,000</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #5.2: 40% in FY 19.</td>
<td>DLR#5.2: $500,000</td>
<td></td>
</tr>
<tr>
<td>DLR #5.3: 50% in FY 20.</td>
<td>DLR#5.3: $500,000</td>
<td></td>
</tr>
</tbody>
</table>

### DLI #6: Steps to improve transparency and predictability in the allocation of the Transportation Fee adopted by MoLG.

<table>
<thead>
<tr>
<th>DLR #6.1: Not later than FY17, the Recipient submitted its Transportation Fee reform directive to its Cabinet of Ministers for approval.</th>
<th>DLR#6.1: $300,000</th>
<th>n/a</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR #6.2: No later than FY 18, at least 25% of annual allocation of the Transportation Fee is disbursed using the criteria set out in the Program Operations Manual.</td>
<td>DLR#6.2: $700,000</td>
<td></td>
</tr>
</tbody>
</table>

1 Share of actual expenditures incurred for approved Joint Projects
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section:

(a) for DLRs 3.2, 3.3, and 3.4, withdrawals shall be made in amounts proportional to their degree of achievement as calculated in accordance with the calculation formula for each said DLR set out in the disbursement table above under this Section IV (this is a “Scalable DLR”);

(c) no withdrawal shall be made for any DLR, until and unless the Recipient has furnished evidence, verified according to protocols set forth in the Verification Protocol and thus satisfactory to the World Bank, that said DLR has been achieved; and

(d) amounts not withdrawn for a given FY, because of a shortfall in achievement of a DLR, can be rolled over into a subsequent FY and then withdrawn to the extent the delayed achievement would have justified disbursement had it been attained on time.

2. Notwithstanding the provisions of Part B.1(d) of this Section, the Recipient may withdraw: (i) an amount not to exceed US$ 3,250,000 as an advance; provided, however, that if any of the DLRs in the opinion of the World Bank, is not achieved by the Closing Date, the Recipient shall refund such advance to the World Bank promptly upon notice thereof by the World Bank. Except as otherwise agreed with the Recipient, the World Bank shall cancel the amount so refunded. Any further withdrawals requested as an advance under any said DLRs shall be permitted only on such terms and conditions as the World Bank shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if the World Bank is not satisfied that any of the DLRs has been achieved by the date by which the said DLR is set to be achieved, the World Bank may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (a) authorize the withdrawal of such
lesser amount of the unwithdrawn proceeds of the Financing then allocated to said DLR which, in the opinion of the World Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the formula set out in the Program Operations Manual of this Part B; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is December 31, 2020.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the World Bank that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the World Bank under any other loan, credit or grant, the Recipient shall, promptly upon notice from the World Bank, refund to the World Bank such excess amount of the Withdrawn Financing Balance. The World Bank shall cancel the refunded amount of the Withdrawn Financing Balance.
APPENDIX
Definitions and Modifications to the Standard Conditions

Section I. Definitions

1. "Annual Capacity Development Plan" means the plan prepared or to be prepared by MoLG annually, which includes an action plan, a procurement plan, and annual budget and financing for implementing each year's capacity development activities.

2. "Annual Capital Investment Grant" or "ACIG" means a grant provided or to be provided to an eligible VC or JSC based on the formula set out in the Program Operations Manual, for implementing activities identified in the ACIP(s).

3. "Annual Capital Investment Plan" or "ACIP" means the plan prepared or to be prepared by VC individually or jointly annually, which includes an action plan, a procurement plan, and annual budget and financing for implementing each year's capital investments in local services and/or infrastructure activities.

4. "Annual Performance Assessment" or "APA" means each assessment, referred to in Section III.C of Schedule 2 to this Agreement; and the term "Annual Performance Assessments" or "APAs" means the plural thereof.


6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. "TFGWB Grant Agreement" means the agreement entered into between the World Bank and the Palestinian Authority on March 14, 2016, for a grant from the Trust Fund for Gaza and West Bank to assist in financing the Program, as such agreement may be amended from time to time. The term "TFGWB Grant Agreement (TFOA1039)" includes all appendices, schedules and agreements supplemental to the TFGWB Grant Agreement.

8. "Co-financing" means the grant provided by the World Bank to the Recipient through the TFGWB Grant Agreement to assist in the financing of the Project.

9. "Conditional Capital Investment Grant" or "CCIG" means a grant provided or to be provided to an eligible JSE based on the formula set out in the Program Operations Manual, for implementing activities identified in the ACIP(s) under Part 2 of the Program.
10. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

11. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Grant allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

12. “Fiscal Year” or “FY” means the Fiscal Year of the Recipient which commences on January 1 and ends on December 31.

13. “Governance Framework” means a template bylaw for joint service provision arrangements to be prepared and adopted by MoLG, including, *inter alia*, basic elements for financing, supervision, decision making, management and reporting arrangements to be agreed among LGUs for a joint provision (or delegation of service provision) of public local services.

14. “Independent Verification Agent” means an independent entity engaged by MoLG under the TFGWB Grant Agreement for the purposes of certifying the achievement of the DLRs as referred to in paragraph 1 of Section III.C of Schedule 2 to this Agreement.

15. “Joint Project” means the project referred to in Part 2 of the Program; and the term “Joint Projects” means the plural thereof.

16. “JSC” means a Joint Services Council, charged with managing essential local services on behalf of a LGU, established pursuant to Bylaw No.1, to Articles 1 and 15 of the Law on Local Authorities No. 1, October 12, 1997; and the term “JSCs” means the plural thereof.

17. “JSE” means a Joint Services Entity, namely a JSC or a selected municipality, eligible to receive, individually or jointly, a Conditional Capital Investment Grant under Part 2 of the Program; and the term “JSEs” means the plural thereof.

18. “LGU” means the Recipient’s Local Government Unit.

19. “MDLF” means the Municipal Development and Lending Fund, established pursuant to the Recipient’s Decree of the Council of Ministers No. 05/34/mim.waw.alf.qaf of 2005, or any successor thereto.


22. “NDP 2014” means the Palestinian Authority’s strategic development plan approved in May 2014.

23. “Procurement Instructions” means the instructions that detail the provisions of the Recipient’s National Procurement Law No. 8 of year 2014, to be developed by the MoLG for LGUs to follow in carrying out their LGU service delivery activities.

24. “Program Action Plan” means the Recipient’s plan dated September 22, 2015, and referred to in paragraph C.4 of Section I of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the World Bank.

25. “Program Committee” means the committee referred to in paragraph 1(a)(i) Section I.C of Schedule 2 to this Agreement.

26. “Program Fiduciary, Environmental and Social Systems” means the Recipient’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

27. “Program Operations Manual” means the manual, satisfactory to the World Bank, adopted by MDLF, dated May 26, 2016 for the purpose of Section 1.C.3 of Schedule 2 to this Agreement.

28. “Program Villages” means the villages selected to participate in the Program pursuant to the provisions of the Program Operations Manual.

29. “Subsidiary Agreement” means the agreement referred to in paragraph 2 of Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.

30. “Transportation Fee” means fees and fines established pursuant to Article No. 25 of the Palestinian Authorities Law No. 1 of 1997, including vehicle licenses and fines collected by the Recipient’s Ministry of Transportation, out of which 50 percent is transferable to LGUs.

31. “VC” means a Village Council in the West Bank established pursuant to the Law on Local Authorities No. 1, dated October 12, 1997; and the term “VCs” means the plural thereof.

32. “Verification Protocol” means the Recipient’s protocol detailing the means by which the fulfillment of the Disbursement Linked Results, will be verified under the Program, as described in the Program Operations Manual.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:
1. Wherever used throughout the Standard Conditions, the term “the Project” is modified to read “the Program”, the term “Project Report” is modified to read “Program Report”, and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. Section 2.09 is amended to read as follows:

   “Section 2.09. Visits. The Recipient shall, throughout the implementation of the Project and for a period of ten (10) years thereafter:

   (a) enable representatives of the World Bank to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Grant; and

   (b) enable the World Bank’s representatives: (i) to visit any facilities and sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Grant, and any documents relevant to the performance of its obligations under the Grant Agreement.”

3. Section 3.03, Special Commitment by the World Bank, is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.

4. In Section 3.03 (originally numbered as Section 3.04), the phrase “or to request the World Bank to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 3.05, Designated Accounts is deleted in its entirety, and the subsequent Sections in Article III are renumbered accordingly.

6. Paragraph (a) of Section 3.04 (originally numbered as Section 3.06), Eligible Expenditures (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Grant in accordance with the provisions of the Grant Agreement;”.

7. Paragraph (a) of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: “(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the in the parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority on or in respect of Program Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the
proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals."

8. The last sentence of Section 3.05 (originally numbered as Section 3.07), Financing Taxes, is modified to read: "To that end, if the World Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the World Bank may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such policy of the World Bank."

9. Section 3.06 (originally numbered as Section 3.08), Reallocation, is modified to read: "If, in the World Bank’s opinion, an amount of the Grant allocated to a withdrawal category under the Grant Agreement will be insufficient to finance the Program Expenditures under such category, the World Bank may, by notice to the Recipient reallocate any other amount of the Grant to such category, if the World Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."

10. Section 4.01, Cancellation by the Recipient, is modified to read: “The Recipient may, by notice to the World Bank, cancel any unwithdrawn amount of the Grant.”

11. Sub-sections (a) and (h) of Section 4.02 are deleted, and consequently, Sub-sections (b) through (k) are re-lettered as Sub-sections (a) through (i).

12. Re-lettered Sub-section (b) of Section 4.02 is amended to read as follows:

"(b) Fraud and Corruption. At any time, the World Bank determines that any representative of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of any of the proceeds of the Grant) has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority or any other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

13. Re-lettered Sub-section (c) of Section 4.02 is amended to read as follows:

“(c) Cross Suspension. IBRD or IDA has suspended in whole or in part the right of the Recipient or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient, or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority,
to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.”

14. Re-lettered Sub-section (f) of Section 4.02 is amended to read as follows:

“(f) Assignment of Obligations; Disposition of Assets. The Recipient or any other entity responsible for implementing any part of the Project has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Recipient (or such other entity).”

15. Re-lettered Sub-section (g) of Section 4.02 is amended to read as follows:

“(g) Condition of Recipient. If the Grant has been made to a Recipient which is not a member of IBRD:

(i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Project).

(ii) The Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.

(iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or any other entity responsible for implementing any part of the Project) has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.”

16. Re-lettered Sub-section (h) of Section 4.02 is amended to read as follows:

“(h) Ineligibility. IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA
(including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of any financing made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by such financier."

17. Sub-section (c) of Section 4.03 is amended to read as follows:

"(c) Fraud and Corruption. At any time, the World Bank determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of the proceeds of the Grant) without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any such other recipient of the proceeds of the Grant) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur."

18. Paragraph (d) of Section 4.03, Cancellation by the World Bank, entitled "Mis-procurement", is deleted, and subsequent paragraph (e) is re-lettered accordingly.

19. Section 4.04, Amounts Subject to Special Commitment Unaffected is deleted in its entirety, and subsequent Sections in Article IV and references to such Sections are renumbered accordingly.

20. Sub-section (a) of Section 4.05 is amended to read as follows:

"(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation:

(i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or

(ii)(A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient (or any
agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other recipient of such amount of the Grant), in either case without the Recipient (or such agency thereof or such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

21. Sub-section (j) of Section 5.03 is amended to read as follows:

“(j) If, within thirty (30) days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.”

22. In the Appendix, Definitions, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definitions set out in paragraphs (17) and (22) of the Appendix are deleted in their entirety, and all their subsequent paragraphs are renumbered accordingly.