Project Agreement

(Additional Financing of the Third Municipal Development Project)

between

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

and

THE MUNICIPAL DEVELOPMENT AND LENDING FUND

Dated June 17, 2019
AGREEMENT dated 14 June 2019 (the “Project Agreement”), entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/ INTERNATIONAL DEVELOPMENT ASSOCIATION (the “World Bank”), acting as administrator (the “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 (the "Trust Fund"). and the MUNICIPAL DEVELOPMENT AND LENDING FUND established pursuant to the Law on Municipal Development and Lending Fund for Local Government Units, dated November 10, 2016 (the “Project Implementing Entity”) in connection with the Trust Fund Grant Agreement of same date between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the “Recipient”) and the World Bank (the “Grant Agreement”). The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the Grant 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 Grant Agreement or the Standard Conditions.

ARTICLE II - PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

3.01. This Agreement and all obligations of the parties under it shall terminate on the date on which the Grant Agreement terminates in accordance with the provisions of its terms and the Standard Conditions.
ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is its Director General.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS  Telex: 248423(MCI)  Facsimile: 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity's Address is:

Municipal Development and Lending Fund (MDLF)
Al-Amal Building, Mecca Street,
Albalou', Al-Bireh,
West Bank, Palestine"

Telephone: 972-2-296-6610  Facsimile: 972-2-295-0685
AGREED at the West Bank as of the day and year first above written.

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

By

[Signature]
Authorized Representative

Name: Kanthan Shankar
Title: West Bank and Gaza Country Director

MUNICIPAL DEVELOPMENT AND LENDING FUND

By

[Signature]
Authorized Representative

Name: Eng. Majdi Alsaleb
Title: Minister of Local Government
SCHEDULE

Execution of the Project

Section I. Institutional and other Arrangements

A. Project Implementing Entity

1. The Project Implementing Entity shall maintain overall responsibility for the Project including preparation of Work Plans and Budgets and adequate compliance with the World Bank's fiduciary requirements and shall maintain for the duration of the Project adequate capability, form and functions, staffing and resources satisfactory to the World Bank.

2. The Project Implementing Entity shall: (a) carry out the Project in accordance with the Grant Agreement, this Agreement, the Operational Manual, the Grant Allocation Manual, and the On-Granting Agreement; (b) take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project; (c) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project; and (d) not amend, suspend, abrogate, repeal, waive or assign any provision of this Agreement, the On-Granting Agreement, the Operational Manual or the Grant Allocation Manual without prior approval of the World Bank.

3. The Project Implementing Entity shall finance Recurrent Expenditures only in accordance with the transaction, control and clearance processes and the procedural mechanisms set out in the Operational Manual.

4. The Project Implementing Entity shall:

(a) exercise its rights under the On-Granting Agreement and each Grant Implementation Agreement in such manner as to protect the interests of the Recipient, the World Bank and the Project Implementing Entity and to accomplish the purposes of the Grant; and

(b) not assign, amend, abrogate or waive the On-Granting Agreement or any Grant Implementation Agreement or any of their respective provisions, except as the Recipient and the World Bank shall otherwise agree.

B. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the Environmental and Social Management Framework, Land Acquisition and Livelihood Policy Framework and any site-specific environmental and safeguards guidelines and documents required to be prepared under the Project and ensure the
satisfaction of any and all applicable requirements for the preparation, disclosure and implementation of any site-specific environmental and social impact assessments or site-specific environmental management plans, in accordance with the Environmental and Social Management Framework and Land Acquisition and Livelihood Policy Framework, in relation to any investment or Subproject necessitating an environmental and social impact assessment, resettlement action plan, or site-specific environmental management plan.

2. The Project Implementing Entity shall not amend, suspend, abrogate, repeal, waive or assign any provision of the Environmental and Social Management Framework, the Land Acquisition and Livelihood Policy Framework, or any site-specific environmental and safeguards guidelines and documents prepared under the Project without prior approval of the World Bank.

3. The Project Implementing Entity shall not award Subgrants for Subprojects that are ineligible to be financed out of the proceeds of the Grant according to the restrictions set forth in the Operational Manual, the Grant Allocation Manual, the Environmental and Social Management Framework, the Land Acquisition and Livelihood Policy Framework, or this Agreement, including, but not limited to any investments or Sub-projects that are likely to have significant adverse environmental or other impacts which would lead to an investment or Subproject being classified as category A according to the World Bank’s environmental screening mechanisms.

4. Prior to the commencement of any works on those sections within the Project area where land acquisition or resettlement may be required, the Project Implementing Entity shall:

   (a) prepare a Land Acquisition and Livelihood Action Plan or Plans, acceptable to the World Bank, in accordance with the Land Acquisition and Livelihood Policy Framework; and disclose and carry out consultations for said Land Acquisition and Livelihood Action Plans in accordance with the provisions of the Land Acquisition and Livelihood Policy Framework;

   (b) carry out the Project in accordance with the Land Acquisition and Livelihood Action Plan or Plans, as the case may be; and

   (c) not amend, suspend or abrogate any of the provisions of the Land Acquisition and Livelihood Action Plan or Plans, as the case may be, without the prior agreement of the World Bank.
5. The Project Implementing Entity:

(a) shall not commence any works in any section of the Project Area where Resettlement has been carried out by the Recipient prior to the date of this Agreement, where the Resettlement was done for the purposes of carrying out the Project activities;

(b) shall not commence any works under the Project in any section of the project area where Resettlement becomes required, without first preparing a Land Acquisition and Livelihood Action Plan, satisfactory to the World Bank, in accordance with the Land Acquisition and Livelihood Policy Framework, and then ensuring that such land acquisition has been carried out in accordance with the Land Acquisition and Livelihood Action Plan; and

(c) shall carry out the Project in accordance with the Land Acquisition and Livelihood Policy Framework and respective Land Acquisition and Livelihood Action Plans and shall not amend, suspend, abrogate or waive any of the provisions of the respective Land Acquisition and Livelihood Action Plans without the prior agreement of the World Bank.

C. Work Plans and Budgets

1. Not later than November 30 in each calendar year, the Project Implementing Entity, for the purpose of forwarding to the World Bank, shall submit a work plan and budget for the Project for the subsequent calendar year of the Project, of such scope and detail as the World Bank shall have reasonably requested.

2. The Project Implementing Entity shall afford the World Bank a reasonable opportunity to review such draft work plan and budget, and thereafter shall carry out such work plan and budget during such subsequent calendar year as shall have been approved by the World Bank ("Work Plan and Budget"). Only those activities that are included in a Work Plan and Budget shall be eligible for financing out of the proceeds of the Grant.

3. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Work Plans and Budgets.

4. Work Plans and Budgets may be revised as needed during Project implementation subject to the World Bank's prior written approval.
D. **Anti-Corruption**

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. **Subgrants**

1. The Project Implementing Entity shall award to Eligible Municipalities Subgrants in accordance with the criteria and procedures set forth in the Operational Manual and the Grant Allocation Manual and shall review, appraise and select proposals and supervise implementation, all in accordance with the Operational Manual, the Grant Allocation Manual, the Environmental and Social Management Framework, the Land Acquisition and Livelihood Policy Framework, and the respective Grant Implementation Agreement.

2. The Project Implementing Entity shall be awarded the Subgrant under a Grant Implementation Agreement with the respective municipality on terms and conditions approved by the World Bank, which shall include the following, namely: that the Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Recipient and the World Bank, including the right to:

   (a) suspend or terminate the right of a municipality to benefit from the proceeds of the Subgrant, or obtain a refund of all or any part of the amount of the Subgrant then disbursed, upon that municipality’s failure to perform any of its obligations under the Grant Implementation Agreement; and

   (b) require each respective municipality to: (i) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Operational Manual and the provisions of the Anti-Corruption Guidelines; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Subgrant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Subgrant and the achievement of its objectives; (v) enable the Recipient and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient, and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Work Plan; Completion Report

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each interim Project Report shall cover the period of the first six (6) calendar months of each calendar year 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.

2. In addition to the interim Project Reports referred to in paragraph 1 above:

   (a) the Project Implementing Entity shall prepare cumulative annual Project Reports at the end of each calendar year. Such cumulative annual Project Reports should be prepared in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank and shall include a report on the performance of the Work Plan for the preceding calendar year. Each such cumulative annual Project Report shall cover the period of the preceding twelve (12) months and shall be furnished to the World Bank not later than sixty (60) days after the end of the period covered by such report; and

   (b) the cumulative annual Project Reports referred to in paragraph (a) above shall include the relevant part of the Work Plan for review and approval by the World Bank, including indicative amounts needed to implement the activities under the respective Work Plan, prepared in accordance with the format included in the Operational Manual, and the Project Implementing Entity shall agree with the World Bank on steps to be taken in the following calendar year.

3. The Project Implementing Entity shall jointly undertake with the World Bank a review of the Project activities based on the reports referred to in paragraph 2 above.

4. The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Project Implementing Entity shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank. The unaudited financial reports shall be reviewed by an independent auditor, acceptable to the World Bank, prior to submission to the World Bank.

3. The Project Implementing Entity shall have its Financial Statements, as well as the Project’s financial statements, audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. 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.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 2 to the Grant Agreement.