Trust Fund Grant Agreement

(Third Municipal Development Project)

between

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

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund for Gaza and West Bank)

Dated September 19th, 2017
GRANT NUMBER TF0A4800

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated September 28, 2017 entered into between the PALESTINE LIBERATION ORGANIZATION (the “Recipient”) (for the benefit of the Palestinian Authority) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “World Bank”), acting as administrator (the “Administrator”) of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3 and Resolution No. 96-11 and IDA 96-7, and as further amended by Resolution No. 99-3 and IDA 99-2 and Resolution No. 03-193 and IDA 03-208 of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the “Trust Fund”).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) has resolved, on June 24, 2015, to, inter alia, replenish the Trust Fund in the amount of fifty-five million dollars ($55,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip (“Gaza”) and the West Bank (the “West Bank”), which are under the jurisdiction of the Palestinian Authority;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, among other things, sets out certain interim self-government arrangements in Gaza and the West Bank (the “Interim Agreement”);

(C) Section 5(b) of Article IX of the Interim Agreement authorizes the Palestine Liberation Organization to conduct negotiations and, in certain cases described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority; and

(D) the Palestinian Authority, on behalf of the Recipient, has requested the World Bank to assist in financing the project described in Schedule 1 to this Grant Agreement (the “Project”).

WHEREAS the World Bank has agreed, on the basis, among other things, of the foregoing to extend the Grant to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, upon the terms and conditions set forth in this Grant Agreement.
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 I 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 Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall, through the Palestinian Authority, cause the Project to be carried out by the Municipal Development and Lending Fund ("Project Implementing Entity" or "MDLF") in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

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

3.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed sixteen million Dollars (USD 16,000,000) ("Grant") to assist in financing the Project.

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

Article IV
Additional Remedies

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

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

(b) The Project Implementing Entity has failed to perform any obligation under the Project Agreement.

(c) IBRD or IDA has declared the Project Implementing Entity 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 Project Implementing Entity 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 Project Implementing Entity is ineligible to receive proceeds of financings 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 Project Implementing Entity has engaged in fraudulent, corrupt, coercive, or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.
(e) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(f) Event prior to Effectiveness. The Administrator 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 Administrator 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.

Article V
Effectiveness; Termination

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

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

(b) The Subsidiary Agreement referred to in Section I.A of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Palestinian Authority.

(c) The On-Granting Agreement referred to in Section I.A of Schedule 2 to this Agreement has been executed on behalf of the Palestinian Authority and the Project Implementing Entity.

(d) The Operational Manual, acceptable to the Administrator, has been executed by the Project Implementing Entity.

5.02 As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator, or if the Administrator so requests, a certificate satisfactory to the Administrator 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;
on behalf of the Project Implementing Entity, that the Project 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; 

(c) the Subsidiary Agreement referred to in section I.A of the Project has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon the Recipient and the Palestinian Authority in accordance with its terms; and 

(d) the On-Granting Agreement referred to in Section I.A of Schedule 2 to this Agreement has been duly authorized or ratified by the Palestinian Authority and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

5.03 Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator 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 Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Administrator 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 Termination for Failure to Become Effective. 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 Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator 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 and Planning of the Palestinian Authority.

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

Ministry of Finance and Planning of the Palestinian Authority
Ramallah
West Bank

Telex: Facsimile:
970-2-297 8845
6.03. The Administrator's Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: Facsimile:

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

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

By

Authorized Representative
Name: Shukri Bishara
Title: Minister, MoEF

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund for Gaza and West Bank)

By

Authorized Representative
Name: [Signature]
Title: Acting Director
SCHEDULE 1
Project Description

The objective of the Project is to enhance the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery.

The Project consists of the following parts:


Sub-grants for Eligible Municipalities to finance municipal infrastructure for improved service delivery through: (a) block grants to provide the basic funding for Eligible Municipalities for infrastructure development based on needs and equity; and (b) a performance grant to provide an incentive for Eligible Municipalities to improve their performance in three performance areas. Financing of Recurrent Expenditures is allowed under this Part 1 in accordance with the Operational Manual.

Part 2. Capacity development to municipalities and Palestinian institutions

(a) Capacity development support to municipalities through: (i) basic capacity development support to participating municipalities; and (ii) targeted capacity development support to strengthen creditworthiness of high performing municipalities, as identified pursuant to the criteria in the Operational Manual.

(b) Development of municipal management system to strengthen governance and management framework of all municipalities, including, inter alia, support for development of procedural, analytical and technical frameworks and analyses in targeted areas such as revenue management, Municipal Integrated Financial Management and Information System (IFMIS), capital investment preparation and social accountability.

(c) Capacity development support to Municipal Development Lending Fund (MDLF) and the Ministry of Local Government (“MoLG”) in order to strengthen governance and service delivery at the municipal level, including, inter alia, support to (i) MoLG to develop Municipal Audit Standards and related implementation guidance in collaboration with the State Audit and Administrative Control Bureau and the Palestine Association of Certified Public Accountants; and (ii) MDLF to become a financial intermediary for local government.

Part 3. Municipal partnership projects

(a) Strengthening capacity of participating municipalities to identify, design and implement potential modalities for private sector engagement in municipal service delivery and local economic development.
(b) Provision of financing to participating municipalities to incentivize municipalities and local governance units to jointly prepare and implement investments.

Part 4. **Project implementation support and management costs**

Project implementation support through funding of goods and consultants' services for monitoring and evaluation, outreach and communication, and local technical consultants for the engineering supervision of Part 1 and the MDLF Management Fee.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement and On-Granting Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Palestinian Authority, under terms and conditions approved by the Administrator, which shall include the following:

   (a) The Palestinian Authority shall on-grant the proceeds of the Grant to the Project Implementing Entity under an on-granting agreement ("On-Granting Agreement") to be entered into between the Palestinian Authority and the Project Implementing Entity, under terms and conditions approved by the Administrator; and

   (b) The Palestinian Authority shall: (i) perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority set forth in the Subsidiary Agreement; (ii) take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

2. The Recipient shall exercise its rights under the Subsidiary Agreement, and shall cause the Palestinian Authority to exercise its rights under the On-Granting Agreement, in such manner as to protect the interests of the Recipient, the Palestinian Authority and the Administrator and to accomplish the purposes of the Grant. Except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions and the Recipient shall cause the Palestinian Authority not to assign, amend, abrogate or waive the On-Granting Agreement or any of its provisions.

3. The Recipient shall cause the Palestinian Authority to ensure under the On-Granting Agreement that the Project Implementing Entity:

   (a) exercises its rights under each Grant Implementation Agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant; and
(b) does not assign, amend, abrogate or waive any Grant Implementation Agreement or any of its provisions, except as the Recipient and the Administrator shall otherwise agree.

B. Institutional and Other Arrangements

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

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

3. The Recipient shall ensure that the Project Implementing Entity finances Recurrent Expenditures only in accordance with the transaction, control and clearance processes and the procedural mechanism set out in the Operational Manual.

4. By no later than April 30, 2018, the Recipient shall commit a sum of no less than 10% of the Aggregate Donor Commitment to funding the Project, and thereafter, Recipient shall disburse the committed funds on a quarterly basis.

C. Safeguards

1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Environmental and Social Management Framework and Land Acquisition and Livelihood Policy Framework, and any specific environmental and safeguards guidelines and documents required to be prepared under the Project and to 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 Sub-project necessitating an environmental and social impact assessment, resettlement action plan, or site specific environmental management plan.
2. The Recipient shall ensure that the Project Implementing Entity does 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 Administrator.

3. The Recipient shall ensure that the Project Implementing Entity does not award Sub-grants for Sub-projects 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, Land Acquisition and Livelihood Policy Framework, or this Agreement, including, but not limited to any Sub-projects that are likely to have significant adverse environmental or other impacts which would lead to a Sub-project being classified as Category A according to the World Bank's environmental screening mechanisms.

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

   (a) prepare a Land Acquisition and Livelihood Action Plan or Plans, acceptable to the Administrator, 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 Administrator.

5. The Recipient, through 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 Administrator, 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 Administrator.

D. Biennial Work Plans and Budgets

1. Not later than one hundred and twenty (120) days after the Effectiveness Date, and every other November 30 thereafter, the Recipient shall, cause the Project Implementing Entity, for the purpose of forwarding to the Administrator, to submit a biennial work plan and budget for the Project for the subsequent two calendar years of the Project, of such scope and detail as the Administrator shall have reasonably requested.

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

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

4. Biennial Work Plans and Budgets may be revised as needed during Project implementation subject to the Administrator's prior written approval.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

F. Sub-projects

1. The Recipient shall cause the Project Implementing Entity, through the Palestinian Authority, to award to Eligible Municipalities Sub-grants in accordance with the criteria and procedures set forth in the Operational Manual and the Grant
Allocation Manual, and to 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 Agreements.

2. Each Sub-grant shall be awarded under a Grant Implementation Agreement with the respective municipality on terms and conditions approved by the Administrator, which shall include the following: namely, that the Recipient shall obtain rights adequate to protect its interests and those of the Administrator, including the right to:

(a) Suspend or terminate the right of a municipality to benefit from the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant 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 Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Administrator, 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 Sub-grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the indicators acceptable to the Administrator, the progress of the Sub-grant and the achievement of its objectives; (v) enable the Recipient and the Administrator to inspect the Sub-project, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient and the Administrator all such information as the Recipient or the Administrator shall reasonably request relating to the foregoing.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall cause the Project Implementing Entity to 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 the indicators agreed with the Administrator. Each Interim Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Administrator 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 Recipient shall cause Project Implementing Entity to 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 Administrator and shall include a report on the performance of the Biennial Work Plan and Budget 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 Administrator 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 Biennial Work Plan and Budget for review and approval by the Administrator, including indicative amounts needed to implement the activities under the respective Biennial Work Plan and Budget, prepared in accordance with the format included in the Operational Manual, and the Project Implementing Entity shall agree with the Administrator on steps to be taken in the following calendar year.

3. The Recipient shall cause the Project Implementing Entity to 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 Administrator not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that Project Implementing Entity maintains a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the Administrator not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the Administrator. The unaudited financial reports shall be reviewed by an independent auditor, acceptable to the Administrator, prior to submission to the Administrator.

3. The Recipient shall cause the Project Implementing Entity to have its Financial Statements, as well as the Project 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 Administrator not later than six (6) months after the end of such period.

Section III.  Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the World Bank Procurement Regulations for Borrowers under Investment Project Financing dated July 1, 2016 ("Procurement Regulations"), and the provisions of the Recipient’s procurement plan for the Project ("Procurement Plan") dated April 3, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Administrator.

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 Administrator may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the Administrator and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Part I of the Project</td>
<td>13,311,702</td>
<td>100%*</td>
</tr>
<tr>
<td>(2) Goods, Training, consulting and non-consulting services under</td>
<td>531,915</td>
<td>100%*</td>
</tr>
<tr>
<td>Part 2 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Goods, Training, consulting and non-consulting services under Part 3(a) of the Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 930,000 | 100%*  
| (4) Training, MDLF Management Fee, goods and consulting services under Part 4 of the Project |  
| 1,226,383 | 100%*  
| TOTAL AMOUNT |  
| 16,000,000 |  

* The Administrator will finance 100% of the Eligible Expenditures preapproved in the Biennial Work Plan and Budget.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
   - (a) for payments made prior to the date of this Agreement.
   - (b) under Category 1 unless an ESMP and a Land Acquisition and Livelihood Action Plan have been prepared, and any land acquisition has been carried out in accordance with paragraph 4 of Section I(C) of Schedule 2 and the Land Acquisition and Livelihood Action Plan.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2022.
APPENDIX

Section I. Definitions

1. "Aggregate Donor Commitment" means total combined financial contribution, as adjusted from time to time, of: (a) the Administrator through this Grant Agreement; (b) PID-MDTF through PID-MDTF Grant Agreement providing co-financing for the Project; and (c) external developmental partners providing parallel financing for the Project.

2. "Biennial Work Plan and Budget" means the biennial work plan and budget as prepared by the Project Implementing Entity for and approved by the Administrator in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

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

4. "Eligible Municipalities" means municipalities eligible to receive Sub-grants in accordance with the grant allocation mechanism under Part I of the Project and with the general criteria and provisions, as set forth in the Operational Manual and the Grant Allocation Manual.

5. "Environmental and Social Management Framework" means the "Environmental and Social Management Framework for the Project adopted by the Project Implementing Entity disclosed on March 12, 2017, as such Framework may be updated from time to time by agreement between the Recipient and the Administrator, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental or social impacts to levels acceptable to the Administrator, and setting forth policies and procedures for the environmental screening of Sub-projects, for conducting environmental and social assessments and specifying requirements for environmental and social mitigation measures to be included, as necessary, in site-specific environmental management plans.

6. "Environmental and Social Management Plan" or "ESMP" means the Environmental and Social Management Plan prepared by the Project Implementing Entity for the purposes of the Project and referred to in Section IV.B.1(b) of Schedule 2 to this Agreement, setting forth a set of mitigation, monitoring, and institutional measures to be taken during Project implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.
7. “Grant Allocation Manual” means the Project Implementing Entity’s manual incorporated into the Operational Manual, satisfactory to the Administrator, defining and describing the grant allocation mechanism to be used for the Municipal Development Program.

8. “Grant Implementation Agreement” means a grant implementation agreement to be entered into between the Project Implementing Entity and each Eligible Municipality in relation to each Sub-project, the format of which is set out in the Operational Manual, describing the duties and responsibilities of each party, operations and maintenance and the time-frame for completion of each Sub-project, and including a simplified procurement plan for Sub-project, as such format may be amended from time to time by agreement between the Recipient and the Administrator.

9. “Land Acquisition and Livelihood Action Plan” means the site-specific documents, to be adopted by the Recipient, pursuant to paragraph 1 of Section I.C of Schedule 2 to this Agreement, and acceptable to the Administrator, containing, inter alia, a program of actions, measures and policies for compensation and resettlement of persons, including compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for the site, including the Land Acquisition and Livelihood Action Plan.

10. “Land Acquisition and Livelihood Policy Framework” means the document prepared and endorsed by the Recipient and disclosed in-country on March 16, 2016, and through Infoshop on April 21, 2016 setting forth resettlement procedures, institutional arrangements, eligibility criteria, entitlements and compensation, including valuation procedures, public consultation and participation, monitoring and evaluation and disclosure criteria to be applied in preparing a Resettlement Action Plan.

11. “MDLF Management Fee” means a fee for the administration expenses incurred by the Project Implementing Entity in relation to the Project, as determined and defined in the detailed budget setting out an analysis of, and calculation for the MDLF Management Fee, acceptable to the Administrator, as such budget may be updated from time to time by agreement between the Project Implementing Entity and the Administrator.

12. “Ministry of Finance and Planning” means the Ministry of Finance and Planning of the Palestinian Authority and includes any successor thereto.

13. “Municipal Development Program” means the Municipal Development Program developed by the Palestinian Authority and the MDLF and adopted by the board of directors of the MDLF in October 2008.
14. "On-Granting Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Palestinian Authority shall make the proceeds of the Grant available to Project Implementing Entity.

13. "Operational Manual" means the manual adopted by the Project Implementing Entity for the purposes of the Project and describing: (a) procedures for implementation of the Project, consistent with the provisions of this Agreement and with applicable laws and regulations and including, among other things; (b) procedures governing administrative, procurement, accounting, financial management, including adequate measures for procurement and forensic audits, financial reporting, accounting, annual reports and internal and external audit arrangements procedures, complaint mechanisms in case of misuse of the proceeds of the Grant, and monitoring and evaluation arrangements; (c) sample formats for periodic reports as the same may be amended from time to time with the agreement of the Administrator; (d) procedures and arrangements for cost sharing; (e) eligibility criteria for Sub-grants under the Project; (f) sample format of the Grant Implementation Agreement; and (g) other institutional arrangements for carrying out the Project, as the same may be amended from time to time with the agreement by the Administrator.

15. "PID-MDTF" means Partnership for Infrastructure and Development in the West Bank and Gaza Multi-Donor Trust Fund.

16. "PID-MDTF Grant Agreement" means the Grant Agreement of even date between the Recipient and PID MDTF provided or to be provided for the Project by PID MDTF in an amount of Twenty Million U.S. Dollars (USD 20,000,000).

15. "Procurement Plan" means the Project Implementing Entity’s procurement plan for the Project, dated April 13, 2017, and referred to in Section IV of the Procurement Regulations, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. “Project Implementing Entity” or “MDLF” means the Municipal Development and Lending Fund established pursuant to the Project Implementing Entity’s Legislation.

17. “Project Implementing Entity’s Legislation” means the Law on Municipal Development and Lending Fund for Local Government Units, dated November 10, 2016 pursuant to which the Project Implementing Entity has been established and is operating.

18. “Recurrent Expenditures” means recurrent expenditures up to 20% for Eligible Municipalities in Gaza on account of the cost of cleaning and maintaining public land, facilities, and assets including road maintenance; maintaining public health services including water purification and pest control; water and electricity utilities
related to the provision of municipal services; collecting and dumping solid waste in legally permissible areas; carrying out laboratory tests; the cost of maintaining and operating municipal service vehicles; equipment spare parts; vehicle insurance; maintaining electromechanical and IT equipment; carrying out advertisements under the Procurement Plan, regarding the procurement of goods and works; office supplies; public awareness related to increasing municipal revenues; the cost of communications; renting service vehicles; all directly related to the provision of essential municipal services.

19. “Resettlement” means: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of said person.

24. “Sub-grants” means either block or performance grants for financing goods, works and services for Sub-projects under Part 1 of the Project and Recurrent Expenditures, to be provided to Eligible Municipalities according to procedures and criteria set forth in the Operational Manual and the Grant Allocation Manual.

25. “Sub-projects” means investment financed with Sub-grants as selected, prepared, processed and implemented as set forth in the Operational Manual.

26. “Subsidiary Agreement” means the agreement referred to in Section 1.B of Schedule to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.

27. “Training” means training activities (other than consultants’ services) to be carried out under the project, as approved by the Administrator, including reasonable and necessary local and international travel expenses incurred by participants in training seminars, workshops and study tours, as well as reasonable lodging, subsistence, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, reasonable facility rental costs, and other expenditures directly relating to training activities, as may be agreed with the Administrator.
Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. 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."

2. Sub-section (a) of Section 3.07 is amended to read as follows:

   "Section 3.07. Financing Taxes.

   (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 parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority on or in respect of Eligible 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, adjust the percentage of such Eligible 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."

3. 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).

4. 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."

5. 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."

6. 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)."

7. 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.

8. 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 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."

9. 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."

10. 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."

11. 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.”

12. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).