Subject: Second Municipal Development Project

Additional Financing and Amendment to the Trust Fund Grant Agreement

(Original Grant Number TF014164; Additional Financing Grant Number TF018184)

Excellency:

1. We refer to the Trust Fund Grant Agreement for the Second Municipal Development Project between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the "Recipient") and the International Development Association acting as administrator of the Trust Fund for Gaza and West Bank (the "World Bank") dated July 7, 2013 (Grant Number TF014164) (Trust Fund Grant Agreement). We also refer to your request for an additional financing for the Project.

2. We are pleased to inform you that the World Bank has acceded to your request and agreed to provide an additional financing for the Project in an amount of three million United States Dollars (US$3,000,000) (Grant Number TF018184). Accordingly we propose to amend the Trust Fund Grant Agreement as follows:

3. Section 3.01 is amended to read:

"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 equivalent to thirteen million United States Dollars (US$13,000,000) (the "Grant"), consisting of the original grant in an amount equal to ten million United States Dollars (US$10,000,000) ("Original Grant") and an additional grant in an amount equal to three million United States Dollars (US$3,000,000) ("Additional Grant") to assist in financing the Project.

4. The objective of the Project set forth in the first paragraph of Schedule 1 is revised to read:

"The objective of the Project is to improve the Recipient’s municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza."

5. The following new Part 5 of the Project is added in Schedule 1:

"Part 5: Gaza Municipal Emergence: Grants"
Sub-grants for Eligible Municipalities in Gaza for Sub-projects to fund investments for restoring priority services, as well as financing their Recurrent Expenditures, all as selected and carried out in accordance with the Operational Manual and the Grant Allocation Manual.

6. The table in paragraph 2 of Part A of Section IV of Schedule 2 is revised as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Grant Allocated (expressed in USD)</th>
<th>Amount of the Additional Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants, goods, works, non-consulting services, consultants’ services, Recurrent Expenditures and Training under Parts 1, 2, 3 and 4 of the Project</td>
<td>9,300,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(2) MDLF Management Fee (including financial audit)</td>
<td>700,000</td>
<td>210,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-grants and Recurrent Expenditures under Part 5 of the Project</td>
<td></td>
<td>2,790,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL GRANT AMOUNT</td>
<td>13,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Paragraph 1 of Part B of Schedule IV is revised to read:

"1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $600,000 equivalent may be made for payments made prior to this date but on or after August 26, 2014, for Eligible Expenditures under Category (3)."

8. The Closing Date set forth in paragraph 2 of Part B of Schedule IV is revised to read: "February 28, 2018".

9. Paragraph 1 of Section I of the Appendix is amended to read:


10. Paragraph 3 of Section I of the Appendix is amended to read:

"3. “Consultant Guidelines” means:

..."
(a) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of consultant’s services procurement of which has been initiated prior to November 1, 2014 and

(b) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) in the case of consultants’ services procurement of which has been initiated on or after November 1, 2014.”

11. Paragraph 6 of Section I of the Appendix is amended to read:

“6. “Grant Allocation Manual” means the Project Implementing Entity’s manual dated March 27, 2013 and revised for the purposes of the Additional Grant, satisfactory to the Administrator, defining and describing the grant allocation mechanisms to be used for the Municipal Development Program.”

12. The following words are added at the end of the definition of the Operational Manual in paragraph 13: “and as revised for the purposes of the Additional Grant”.

13. Paragraph 14 of Section I of the Appendix is amended to read:

“14. “Procurement Guidelines” means:

(a) “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of goods, works and non-consulting services procurement of which has been initiated prior to November 1, 2014; and

(b) “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) in the case of goods, works and non-consulting services procurement of which has been initiated on or after November 1, 2014.”

14. Paragraph 19 of Section I of the Appendix is amended to read:

“19. “Sub-grants” means grants for financing goods, works, non-consulting services and consultants’ services for Sub-projects under Parts 1 and 5 of the Project, to be provided to Eligible Municipalities according to procedures and criteria set forth in the Operational Manual and the Grant Allocation Manual.”

15. Unless the context otherwise requires and except where otherwise defined in this Amendment Letter, all capitalized terms contained herein shall have the meanings given to them in the Trust Fund Grant Agreement.

16. All the terms and conditions of the Trust Fund Grant Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

17. The following event is specified as the condition of effectiveness of this Amendment Letter, namely, that the Subsidial Agreement and On-Granting Agreement have been revised according to the provisions of this Amendment Letter.
18. Please confirm your agreement on behalf of the Recipient with the above amendment by signing, dating and returning to us one of the original copies of this Amendment Letter. The Amendment Letter will become effective as of the date on which the World Bank dispatches to the Recipient notice of its acceptance of the evidence that the Amendment Letter effectiveness conditions set forth above have been satisfied.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Steen Lau Jorgensen
Country Director for West Bank and Gaza
Middle East and North Africa Region

AGREED:

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

By: 

Name: Shukry Bishara

Title: Minister of Finance

Date: December 7, 2014