Prime Minister and Minister of Finance
Palestinian National Authority
Ramallah, West Bank and Gaza

Re: SPF Grant No. TF0A5114
Finance for Jobs II Project
Letter Agreement

Excellency:

In response to the request for financial assistance made on behalf of the Palestine Liberation Organization ("Recipient") for the benefit of the Palestinian Authority (PA), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors under the State- and Peace-building Fund, proposes to extend to the Recipient for the benefit of the PA, a grant in an amount not to exceed one million five hundred thousand United States Dollars (US$1,500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Marina Wes
Country Director
West Bank and Gaza

1818 H Street NW • Washington, DC 20433 USA
AGREED:
PALESTINE LIBERATION ORGANIZATION
(for the Benefit of the Palestinian Authority)

By
Authorized Representative

Name

Title

Date: Sept 27, 2007

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017
Article I
Standard Conditions; Definitions

1.01 Standard Conditions. 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 Definitions. 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.

(a) “Amended Implementation Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement, to be entered into between the Palestinian Authority, by and through the Ministry of Finance and Planning, and the Project Implementation Agency, as the same may be amended from time to time; and such term includes any schedules or annexes thereto.

(b) “Annual Work Plan and Budget” means the work plan and budget approved by the World Bank and adopted by the Palestinian Authority in accordance with the provisions of Section I.E. of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the written agreement of the World Bank.

(c) “Anti-Corruption Guidelines” means 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.

(d) “Beneficiary” means an enterprise, or an investment fund entity, which meets the selection criteria set out in the Project Operations Manual and is eligible to receive a Matching Grant; and “Beneficiaries” means, collectively, all such Beneficiaries.

(e) “Development Impact Bond,” or “DIB” means a financing instrument wherein investors pay in advance for interventions to achieve agreed results and work with DIB Service Providers to ensure that the results are achieved and wherein the World Bank makes repayments to investors, with payments linked to results achieved.

(f) “DIB Investor” means any physical or legal person that meets the eligibility criteria for investing into the Development Impact Bond, as set forth in the Project Operations Manual.

(g) “DIB Manager” means a firm recruited by SPV for the duration of the Project implementation with qualifications and with terms of reference acceptable to the Bank, who is responsible for overall DIB performance management, managing investor funds, selecting and managing the oversight of DIB Service Providers, paying for services delivered under the DIB from investor funds and issuing repayments to DIB Investors from the Bank upon verification of agreed upon outputs and outcomes.
(h) "DIB Payment" means the payment made by the World Bank to DIB Investors pursuant to the procedures outlined in the POM, after a verified achievement of the previously agreed upon Job Outcomes and Training Outputs.

(i) "DIB Service Provider" means a physical or legal person selected to perform services aimed at meeting the Training Outputs and Job Outcomes, pursuant to Article 2, Section H(1)(b) of Schedule 2 to this Agreement.

(j) "Environmental Management Plan" or "EMP" means the Environmental Management Plan prepared by the Project Implementation Agency for the purposes of the Project and referred to in Section 2.03.G.1 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 impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures.

(k) "Environmental and Social Management Framework" or "ESMF" means the framework dated March 1, 2017, prepared by the Recipient, approved by the World Bank, and disclosed on March 16, 2017, 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 World Bank, setting forth a pest management plan to promote and support safe, effective, and environmentally sound pest management plan, and setting forth policies and procedures for the environmental screening of the ICF 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.

(l) "Excluded Expenditure" means any expenditure:

(i) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

(ii) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
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<tr>
<td>112</td>
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<td>Alcoholic beverages</td>
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<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
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<td>122</td>
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<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
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<tr>
<td>667</td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
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<tr>
<td>718</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
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<td>728</td>
<td>Tobacco processing machinery</td>
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<tr>
<td>897</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
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<tr>
<td>971</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
<td></td>
</tr>
</tbody>
</table>

(iii) for goods intended for a military or paramilitary purpose or for luxury consumption;

(iv) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(v) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(vi) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

(m) “Funding and Performance Agreement” means the agreement referred to in Section 2.03.B.1.(b)(vii), of Schedule 2 to this Agreement, to be entered into between the PIA and the SPV setting forth the commitments of both parties, as the same may be amended from time to time with the approval of the World Bank,

(n) “ICF Agreement” means the agreement referred to in Section I, Part J of Schedule 2 of this Agreement.

(o) “ICF Enterprise” means the commercial enterprise which has met the eligible criteria set forth in the POM to be eligible for the ICF Financing of ICF Sub-Project.

(p) “ICF Financing” means a payment made out of the proceeds of the Grant to a ICF sub-project pursuant to Component 2 of the Project.
(q) ICF Sub-Project means an investment project being undertaken by an ICF enterprise for which ICF financing has been approved and which has been as selected, prepared, processed and implemented as set forth in the Project Operations Manual.

(r) “Independent Verification Agent” means the agent to be selected by the PIA as referred to in Section 2.03.B.1(b)(viii) of Schedule 2 to this Agreement.

(s) “Investment Co-Financing Facility Instrument” means an innovative financing instrument which provides risk-sharing grant financing support of commercially sound job-creating private sector investments.

(t) “Job Outcomes” means results achieved out of the interventions undertaken under Component 1 of the Project, including, inter alia, participants’ placement into internships or apprenticeship; placement into employment; sustained employment for a minimum duration, earnings growth, wage subsidy and enterprise revenue growth.

(u) “Legal Instrument(s)” means the legal instrument(s) through which the PIA and/or SPV have been established and are operating.

(v) “Management Agreement” means the agreement referred to in Section 2.03.C.2(b) of Schedule 2 to this Agreement, to be entered into between the SPV and DIB Manager pursuant to which the PIA, through the DIB Manager, shall manage day to day operations of the SPV for the purpose of Component 1 of the Project.

(w) “Management Fee” means a fee for the administration expenses incurred by the PIA in relation to the Project, as determined and defined in the detailed budget setting out an analysis of, and calculation for the Management Fee, acceptable to the World Bank, as such budget may be updated from time to time by agreement between the PIA and the World Bank.

(x) “Matching Grant” means a matching grant made or proposed to be made to a Beneficiary by the Project Implementation Agency out of the proceeds of the Grant to assist in financing eligible activities under Component 3 of the Project.

(y) “Matching Grant Agreement” means an agreement to be entered into between the Project Implementation Agency and a Beneficiary providing for a Matching Grant.

(z) “Ministry of Finance and Planning” means the Ministry of Finance and Planning of the Palestinian Authority, or any successor thereto.

(aa) “Operating Costs” means reasonable incremental expenses incurred on account of Project implementation by PIA, management and monitoring, including office supplies, the cost of publication of procurement notices and costs of printing materials for carrying out of the communication and awareness campaign, vehicle leasing and operation, office rent, office supplies, office and equipment maintenance and repair, translation and interpretation, reasonable bank charges, costs of carrying out meetings, transportation, travel and supervision costs, including per diem allowances for Project staff in travel status, supplies and utilities, and other miscellaneous costs directly associated with Project, as determined by the World Bank but excluding salaries of officials and employees of the Recipient.
(bb) "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 1, 2017, approved by the World Bank and referred to in paragraph 1.18 of the Procurement Guidelines and in paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

(cc) "Project Implementation Agency" or "PIA" means the entity referred to in Section I, paragraph C.2 of Schedule 2 to this Agreement, which shall be responsible for implementing the Project in accordance with this Agreement and the Amended Implementation Agreement.

(dd) "Project Operations Manual" or "POM" means the manual for the Project, dated June 7, 2017, adopted by the Recipient in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

(ee) "Rate Card" means methodology, acceptable to the World Bank, establishing the contractual metrics and their values against which DIB Payments are made to DIB Investors following achievement of previously agreed upon Job Outcomes and Training Outputs, as confirmed by the Independent Verification Agent, all described in Section 2.03.B.1(b)(vii) of Schedule 2 to this Agreement and in the POM.

(ff) Safeguards Instruments means any one or more of the ESMF and any other safeguard instrument derived therefrom or adopted pursuant thereto.

(gg) "Special Purpose Vehicle" or "SPV" means a holding entity to be established by the PIA for the purpose of pooling DIB Investors' capital to provide up-front financing for the DIB under Component 1 of the Project.

(hh) "Subsidiary Agreement" means the agreement referred to in Section I.A. of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.

(ii) "Training" means training activities (other than consultants' services) to be carried out under the Project, as approved by the World Bank, including the reasonable and necessary local and international travel incurred by participants in training seminars, workshops and study tours, as well as reasonable lodging, subsistence, local and international per diem allowances, registration, tuition and facilitators' fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to the training workshop and the study tour activity, as may be agreed with the World Bank.

(jj) "Training Outputs" means training results achieved within the training programs provided by DIB Service Providers under Component 1 of the Project, which include, inter alia, soft skills training, vocational training, and sector-specific training.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to test the effectiveness of selected financial interventions in incentivizing private sector investment and job creation.

The Project consists of the following parts:

**Component 1: Development Impact Bond for Skills Development for Employment**

Supporting Recipient in issuing a Development Impact Bond and providing financing for DIB Payments to eligible DIB Investors into the Development Impact Bond instrument based upon agreed outcome/output results having been achieved.

**Component 2: Investment Co-Financing Facility**

Providing a risk-sharing grant in support of commercially sound, job-creating private sector investments (ICF Sub-Projects) through an Investment Co-Financing Facility Instrument.

**Component 3: Entrepreneurship Ecosystem Matching Grants**

Provision of Matching Grants to Beneficiaries to build their business development capacity and their business advisory capacity.

**Component 4: Project Management**

Providing financing to PIA in support of Project management, coordination, monitoring and evaluation, including, *inter alia*, fiduciary control and oversight, environmental and social safeguards assessments, preparation of Project reports, and to cover Project's Operating Costs.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objective 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 jointly by the Ministry of Finance and Planning and the Project Implementation Agency ("PIA") in accordance with the provisions of Article II of the Standard Conditions and the agreement to be entered into between the Palestinian Authority and the PIA ("Amended Implementation Agreement").

2.03. **Institutional and Other Arrangements.**

A. **Subsidiary 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 World Bank.

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

3. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant.

4. 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.

B. Amended Implementation Agreement

1. For the purpose of implementing the Project, the Recipient, through the Palestinian Authority, shall cause the Ministry of Finance and Planning to enter into an Amended Implementation Agreement with the PIA, with the capacity, functions, staffing and resources satisfactory to the World Bank, including, \textit{inter alia}, specialists in procurement, financial management, safeguards and monitoring and evaluation. The Amended Implementation Agreement shall include terms and conditions approved by the World Bank, including, \textit{inter alia}:

   (a) The Palestinian Authority's obligation to on-grant the proceeds of the Grant to the PIA.

   (b) The PIA's obligation to:

   (i) carry out its respective activities under the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and in accordance with the provisions of this Agreement and the Project Operations Manual;

   (ii) procure goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant, in accordance with the provisions of Section III of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan and the Project Operations Manual;

   (iii) implement the Project in accordance with the provisions of the ESMF;

   (iv) implement the terms of the Anti-Corruption Guidelines;

   (v) (A) maintain a separate financial management system for implementing the Project; (B) prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, adequate to reflect its operations and financial condition; and (C) register separately the operations, resources and expenditures related to the Project;
(vi) establish an SPV in accordance with the provisions of this Agreement, the Amended Implementation Agreement and the POM, in a form and with functions and management satisfactory to the World Bank and having the capacity to perform its functions under the Project;

(vii) make DIB Payments to DIB Investors upon a verified achievement of the Job Outcomes or Training Outputs, at the values established in the Rate Card, and specified in the Funding and Performance Agreement;

(viii) by no later than February 28, 2018, hire an Independent Verification Agent, as provided in paragraph I, Section I below;

(ix) promptly inform the Palestinian Authority and the World Bank of any condition which interferes or threatens to interfere with the progress of the Project and the performance of its obligations under the Amended Implementation Agreement; and

(x) neither take nor concur in any action which would have the effect of amending, abrogating, assigning or waiving the Amended Implementation Agreement.

2. The Recipient shall cause the Palestinian Authority to ensure that the Amended Implementation Agreement includes a provision stipulating that in the case of conflict between the Amended Implementation Agreement, on the one hand, and this Agreement, on the other, the provisions of this Agreement shall apply.

3. The Recipient shall cause the Palestinian Authority to exercise its rights under the Amended Implementation Agreement in such manner as to protect the interests of the Palestinian Authority and the World Bank and to accomplish the purposes of the Grant.

4. Except as the World Bank shall otherwise agree, the Recipient shall cause the Palestinian Authority not to assign, amend, abrogate or waive the Amended Implementation Agreement or any of its provisions.

C. Institutional Arrangements

1. The Recipient shall, through the Palestinian Authority, cause the Ministry of Finance and Planning to maintain overall responsibility for the Project.

2. The Recipient shall, through the Palestinian Authority, cause PIA to enter into a Funding and Performance Agreement with SPV, on the terms and conditions acceptable to the World Bank, and as reflected in the POM, including, inter alia,

   (a) the PIA's obligation to make DIB Payments to DIB Investors upon a verified achievement of the Job Outcomes or Training Outputs, at the values established in the Rate Card and specified in the Funding and Performance Agreement; and

   (b) the right to suspend or terminate the Funding and Performance Agreement upon SPV's failure to perform any of its obligations under the Funding and Performance Agreement, or DIB Manager's failure to perform any of its obligations under the Management Agreement.
D. Project Operations Manual

1. The Recipient shall, through the Palestinian Authority, cause the PIA to carry out its respective activities under the Project in accordance with the project operations manual ("Project Operations Manual"), setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, _inter alia_:

   (a) detailed description of Project and institutional arrangements for implementing the Project;

   (b) detailed description of the Rate Card methodology used to establish the contractual metrics (e.g., recruitment, training completion, internship placement, job placement or sustainment) and their values against which DIB Payments are to be made to DIB Investors, subject to a verification by the Independent Verification Agent;

   (c) detailed procedures for making DIB Payments to DIB Investors under Component 1 of the Project upon Independent Verification Agent verifying (i) whether Job Outcomes and Training Outputs have been achieved and (ii) amounts of DIB Payments to be made to DIB Investors;

   (d) eligibility criteria and procedures to be applied for selection of ICF Sub-Projects under Component 2 of the Project;

   (e) detailed procedures for disbursing Matching Grants under Component 3 of the Project, including, _inter alia_, disbursement milestones, mechanisms for verifying the achievement of disbursement milestones, disbursement approval process, and related monitoring, reporting and auditing requirements;

   (f) the Matching Grant operating procedures governing the activities to be financed by Matching Grants, including, _inter alia_, specific criteria for activities to be eligible for financing under the Matching Grants, guidelines for approval, implementation, monitoring and evaluation of said activities;

   (g) the terms and conditions for the Matching Grant Agreements;

   (h) the Environmental and Social Management Framework;

   (i) monitoring, evaluation, reporting, and governance procedures for the Project; and

   (j) overall disbursement, financial management, auditing and procurement procedures for the Project.

2. In the event that any provision of the Project Operations Manual shall conflict with any provision of this Agreement, the provisions of this Agreement shall prevail. The Recipient shall cause the Palestinian Authority to ensure that the Project Operations Manual is not amended without the prior written agreement of the World Bank.
E. Annual Work Plan and Budget

1. The Recipient shall cause the Palestinian Authority to prepare and furnish to the World Bank, not later than January 31 of each year, starting September 30, 2017 an Annual Work Plan and Budget containing all activities proposed to be included in the Project and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

2. The Recipient shall cause the Palestinian Authority to afford the World Bank a reasonable opportunity to exchange views with the Palestinian Authority on such proposed Annual Work Plan and Budget and thereafter ensure that the Project is implemented in accordance with such Annual Work Plan and Budget as shall have been approved by the Association.

F. Anti-Corruption

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

G. Safeguards

1. The Recipient shall cause the PIA to carry out the Project in accordance with the Environmental and Social Management 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, in relation to any ICF Sub-project necessitating an environmental and social impact assessment, or site specific environmental management plan.

2. The Recipient shall ensure that the PIA does not amend, suspend, abrogate, repeal, waive or assign any provision of the Environmental Social Management Framework, or any site-specific environmental and safeguards guidelines and documents prepared under the Project without prior approval of the World Bank.

3. The Recipient shall ensure that the PIA does not provide ICF Financing for ICF Sub-Projects that are ineligible to be financed out of the proceeds of the Grant according to the restrictions set forth in the POM, the Environmental and Social Management Framework, or this Agreement, including, but not limited to:

   (a) Any ICF Sub-projects that are likely to have significant adverse environmental or other impacts which would lead to an ICF Sub-project being classified as Category A according to the World Bank's environmental screening mechanisms.

   (b) Any ICF Sub-projects that would involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets or loss of income sources or other means of livelihood by an affected person (whether or not the affected person must move to another location) or any other type of impact that would lead to an ICF Sub-project being classified as triggering the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12) according to the World Bank's screening mechanisms.
H. DIB Investments

1. The Recipient shall ensure that the PIA causes the SPV to:

   (a) recruit and maintain, for the duration of the Project, DIB Manager, with qualifications and terms of reference acceptable to the World Bank, responsible for the overall management of Component 1 of the Project, organization and coordination of all activities involved in Component 1 of the Project, reporting to the PIA and to the World Bank, and monitoring performance of Component 1;

   (b) select DIB Service Providers in accordance with the selection process, criteria and terms of reference outlined in the POM, and enter into a service agreement with each DIB Service Provider on terms acceptable to the World Bank, and which shall include, *inter alia*:

      (i) SPV’s obligation to pay DIB Service Providers; and

      (ii) DIB Service Provider’s obligation to deliver services in one or more of the following areas:

         A. identifying employment opportunities in targeted sectors;

         B. recruiting beneficiaries to flow through Training and placement program provided by DIB Service Providers;

         C. delivering sector-relevant Training to participating beneficiaries;

         D. providing placement and in-work support to participating beneficiaries;

         E. providing pre- and post- Training assessment to ensure quality of Training delivered; and

         F. preparing reports and summaries on services rendered for DIB Manager.

   (c) enter into a Management Agreement, acceptable to the World Bank, with DIB Manager pursuant to which the DIB Manager shall:

      (i) manage the SPV pursuant to the criteria and limitations set forth in the POM, *inter alia*, to undertake implementation of its respective activities with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices.

      (ii) maintain management and oversight over DIB Service Providers, all in accordance with the terms and conditions of the POM;

      (iii) maintain data analytics and supervision procedures for managing DIB Investments; and
(iv) submit verification reports and invoices to PIA for achieved Job Outcomes and Training Outputs.

(d) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its activities; and (ii) for each Fiscal Year, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and furnish the statements as so audited to the World Bank, if requested, not later than six (6) months after the end of such Fiscal Year;

(e) perform its obligations under the Management Agreement in accordance with the provisions of this Agreement, the Amended Implementation Agreement and the POM; and

(f) enter into a Shareholder Agreement with the DIB Investors on terms and conditions acceptable to the World Bank, including, inter alia, the obligation of the DIB Investors to provide financing to the SPV, and the obligation of the PIA to make DIB Payments to DIB Investors in accordance with Section 2.03.C.2(a) of Schedule 2 to this Agreement, all on the terms and conditions acceptable to the World Bank, as set forth in the POM.

I. Verification Protocol

By no later than February 28, 2018, the Recipient, through the Palestinian Authority, shall cause the PIA to engage, and hereafter maintain, throughout the period of Project implementation, an Independent Verification Agent under terms of reference approved by the World Bank, to:

(1) design a verification scheme and supervise its implementation for the purpose of certifying achievement of Job Outcomes and Training Outputs reflected in the Rate Card and agreed upon in the Funding and Performance Agreement; and (2) furnish a report to PIA on the results of said verification of such scope and detail as the World Bank shall request.

2.06. Project Monitoring, Reporting and Evaluation.

(a) The Recipient, through the Palestinian Authority, shall cause the PIA 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 indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, 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) Not later than one (1) month prior to the mid-term review referred to in paragraph 3 of this Section A, the Recipient, through the Palestinian Authority, shall cause the PIA to furnish to the World Bank for comments, a report, in such detail as the World Bank shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

(c) Not later than twenty-four (24) months after the Effective Date, or by such other date as may be agreed by the World Bank, the Recipient shall undertake in conjunction with the World Bank and the PIA, a comprehensive mid-term review
of the Project, during which it shall exchange views with the World Bank and PIA generally on all matters relating to the progress made during implementation of the Project, the performance by the Recipient of its obligations under this Agreement and the performance by the PIA, having regard to the performance indicators referred to in paragraph 1 of this Section A.

(d) Following said mid-term review, at any rate no later than thirty (30) days after its completion, the Recipient shall promptly take any corrective action necessary to remedy any shortcoming noted in the implementation of the Project, and implement such other measures as may have been agreed with the World Bank to further the objective of the Project.

(e) The Recipient, through the Palestinian Authority, shall cause the Ministry of Finance and Planning 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 World Bank not later than six (6) months after the Closing Date.

2.07. Financial Management

(a) The Recipient shall cause the PIA and the SPV to maintain financial management systems in accordance with the provisions of Section 2.07 of the Standard Conditions and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of PIA, and SPV separately, including their operations, resources and expenditures related to the Project.

(b) The Recipient shall cause the PIA and the SPV to have their interim unaudited financial reports for the Project prepared and furnished to the World Bank not later than forty-five (45) after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause the PIA to have Financial Statements for the Project 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 (1) 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.

2.08. Procurement

All goods, consultants’ services and non-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 June 1, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
Article III
Withdrawal of Grant Proceeds

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

<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) DIB Payments under Component 1</td>
<td>$1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) ICF Financing under Component 2</td>
<td>$0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Matching Grants under Component 3</td>
<td>$0</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consultants’ services, Training and Operating Costs and Management Fee under Components 1, 2 and 3 of the Project</td>
<td>$0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$1,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. 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) in respect to each DIB Payment under Category 1, unless an Independent Verification Agent confirms, in writing: (i) Training Outputs and Job Outcomes that have been achieved; and (ii) the amount of DIB Payments due, based on the value assigned to the Training Outputs and Job Outcomes in the Rate Card and agreed upon in the Performance and Funding Agreement. Such confirmation will be subject to World Bank’s prior approval.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 29, 2021.
Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Event 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 PIA of its obligations under the Amended Implementation Agreement;

(b) the PIA has failed to perform any obligation under the Amended Implementation Agreement;

(c) IBRD or IDA has declared the PIA 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 PIA 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 PIA 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 PIA 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) the PIA has failed, within 548 days of the Effective Date, to establish SPV and cause the DIB Investors to appropriately capitalize the SPV to, in the judgment of the World Bank, enable it to achieve the objectives of Component 1 of the Project;

(e) 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 PIA will be able to perform its obligations under the Amended Implementation Agreement;

(f) the Legal Instrument(s), pursuant to which the PIA has been established and is operating, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PIA to perform any of its obligations under the Amended Implementation Agreement;

(g) the Legal Instrument(s), pursuant to which the SPV has been established and is operating, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the SPV to perform any of its obligations under the Funding and Performance Agreement; and

(h) 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.
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:

(a) the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental actions; and

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

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 the Recipient and the Palestinian Authority 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 and Planning
Palestinian National Authority
Ramallah, West Bank and Gaza
Telephone: Facsimile:

970-2-297 8846 970-2-297 8845

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

International Bank for Reconstruction and Development and 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)
APPENDIX
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).