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PID GRANT NUMBER TF0C4878

**Partnership for Infrastructure  
Development in the West Bank and Gaza  
Multi-Donor Trust Fund  
Project Agreement**

**(Additional Financing for the Resilient Municipal Services Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**  
*(acting as administrator of the acting as administrator of the Partnership for  
Infrastructure Development Multi-Donor Trust Fund)*

**and**

**THE MUNICIPAL DEVELOPMENT AND LENDING FUND**

**Dated \_\_\_\_\_, 2024**

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**PID GRANT NUMBER TF0C4878**

**PROJECT AGREEMENT**

AGREEMENT dated as of the Signature Date (the “Project Agreement”), entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Bank”), acting as administrator of the Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF), and the MUNICIPAL DEVELOPMENT AND LENDING FUND established pursuant to the Law on Municipal Development and Lending Fund for Local Government Units, dated November 10, 2016 (the “Project Implementing Entity” or “MDLF”) in connection with the PID-MDTF Grant Agreement of same date between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the “Recipient”) and the Bank (the “Grant Agreement”) for the provision of additional financing to the Resilient Municipal Services Project (the “Additional Financing”). The Bank and the Project Implementing Entity hereby agree as follows:

**ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The Standard Conditions (as defined in the Appendix to the Grant Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Agreement or the Standard Conditions.

**ARTICLE II - PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, MDLF shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

**ARTICLE III - TERMINATION**

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

**ARTICLE IV - REPRESENTATIVE; ADDRESSES**

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

- 4.02. The Association's Address is:

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

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

- 4.03. The Project Implementing Entity's Address is:

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

Telephone:	Facsimile:
972-2-296-6610	972-2-295-0685

AGREED at the West Bank as of the day and year first above written.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**  
*(acting as administrator of the Partnership for Infrastructure  
Development Multi-Donor Trust Fund)*

By



\_\_\_\_\_  
**Authorized Representative**

**Name:** Stefan Emblad

**Title:** Country Director West Bank & Gaza

**Date:** 02-Jul-2024

**MUNICIPAL DEVELOPMENT AND LENDING FUND**

By



\_\_\_\_\_  
**Authorized Representative**

**Name:** Mr. Mohammad Ramahi

**Title:** MDLF Director General

**Date:** 03-Jul-2024

## **SCHEDULE**

### **Execution of the Project**

#### **Section I. Institutional and Other Arrangements**

##### **A. Project Implementing Entity**

1. The Project Implementing Entity shall maintain overall responsibility for the Project including preparation of the Annual Work Plans and Budgets and adequate compliance with the Bank's fiduciary requirements and shall maintain for the duration of the Project adequate capability, form and functions, staffing and resources satisfactory to the Bank.
2. The Project Implementing Entity shall (a) carry out the Project in accordance with the Grant Agreement, this Agreement, the Project Operational Manual, and the On-Granting Agreement; (b) take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project; (c) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project; and (d) not amend, suspend, abrogate, repeal, waive or assign any provision of this Agreement, the On-Granting Agreement, the Project Operational Manual without prior approval of the Bank.
3. The Project Implementing Entity shall:
  - (a) exercise its rights under the On-Granting Agreement in such manner as to protect the interests of the Recipient, the Bank and the Project Implementing Entity and to accomplish the purposes of the Grant; and
  - (b) not assign, amend, abrogate or waive the On-Granting Agreement or any of their respective provisions, except as the Recipient and the Bank shall otherwise agree.

**B. Project Operational Manual**

1. MDLF shall continue to implement the Project in accordance with the Project Operational Manual approved for the Original Project and shall, no later than 45 days after the Effective Date, update the POM to include the new activities under the Additional Financing, in a manner satisfactory to the Bank, which shall include the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following: (a) the detailed description of Project implementation activities and the detailed institutional arrangements of the Project; (b) monitoring, evaluation, reporting and governance procedures for the Project; (c) budget preparation and execution; (d) accounting and reporting; (e) Personal Data collection and processing in accordance with good international practice, including to ensure legitimate, appropriate, and proportionate treatment of such data; (f) Minimum Conditions for Participating Municipalities to become eligible to receive PBSB Subgrants; (g) Performance Measures to be used to determine PBSB Subgrant amounts; (h) selection criteria for the NHCC Subgrants; (i) selection criteria and description of Recurrent O&M Expenditures under Part 6(a) of the Project [and C4W Subgrants under Part 6(b)] of the Project; and (j) overall Project administrative, accounting, auditing, reporting, financial, environmental and social, procurement and disbursement procedures;
2. In the event that any provision of the POM conflicts with this Agreement or the Grant Agreement, the terms of this Agreement shall prevail. MDLF, shall ensure that the POM is not amended without the prior written agreement of the Bank.

**C. Performance-Based Service Delivery Subgrants under Part 1 of the Project**

1. MDLF shall award subgrants to Participating Municipalities (“PBSB Subgrants”) in accordance with the Minimum Conditions set forth in the POM and to review, appraise and select Subprojects (“PBSB Subprojects”), all in accordance with the Project Operational Manual, the ESCP, and the respective PBSB Grant Agreement.
2. Each PBSB Subgrant shall be awarded under a legally binding grant agreement to be entered with each Participating Municipality (“PBSB Grant Agreement”), under terms and conditions approved by the Bank, which shall include the obligation of MDLF to obtain rights adequate to protect its interests and those of the Recipient and the Bank, including the right to: (a) suspend or terminate the right of a Participating Municipality to benefit from the proceeds of the PBSB Subgrant, or obtain a refund of all or any part of the amount of the PBSB Subgrant then disbursed upon the Participating Municipality’s failure to perform any of its obligations under the PBSB Grant Agreement; and (b) require each respective Participating Municipality to: (i) carry out the PBSB Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices

satisfactory to the Bank, including in accordance with the provisions of the Project 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 PBSD Subgrant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the indicators acceptable to the Bank, the progress of the PBSD Subgrant and the achievement of its objectives; (v) enable MDLF, the Recipient and the Bank to inspect the respective PBSD Subproject, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient and the Bank all such information as the Recipient or the Bank shall reasonably request.

**D. Subgrants for Natural Hazard and Climate Change Resilience under Part 3(b) of the Project**

1. For the purposes of implementing Part 3(b) of the Project, MDLF shall award subgrants (“NHCC Subgrants”) to Participating Municipalities for the purposes of financing the NHCC Subprojects, all in accordance with eligibility criteria and procedures set forth in the POM and in a manner acceptable to the Bank.
2. MDLF shall award each subgrant under a legally binding grant agreement (“NHCC Subgrant Agreement”) with the respective Participating Municipality on terms and conditions approved by the Bank, which shall include the following: (a) the Grant shall be made on a non-reimbursable grant basis and (b) ensure that the MDLF shall obtain rights adequate to protect its interests and those of the Bank.
3. MDLF shall exercise its rights and carry out its obligations under each NHCC Subgrant Agreement in such manner as to protect the interests of MDLF, the Recipient and the Bank and to accomplish the purposes of the Grant.
4. Except as the Bank shall otherwise agree MDLF shall not assign, amend, abrogate or waive any NHCC Subgrant Agreement or any of its provisions.

**E. Performance Assessments**

For the purposes of implementing Part 1 of the Project, MDLF shall maintain the independent third-party verification agency hired under the Original Project, under terms of reference acceptable to the Bank and included in the POM, for the purposes of carrying out assessments of the performance of Participating Municipalities in accordance with the frequency, content and procedures set forth in the POM.

**F. Intergovernmental Fiscal Transfer System Operational Manual**

1. For the purposes of implementing Part 2(b)(ii) of the Project, the Recipient shall cause MDLF, through the Project Agreement, to:
  - (a) not later than 18 months after the Effective Date, or any other date agreed with the Bank, prepare a national operational manual for the IGFT (“IGFT Operational Manual”), in a manner acceptable to the Bank. Said manual shall include the procedures, roles and functions of entities involved in the sector, allocation formula for fiscal transfers, timetable and calendar for financial flow transactions, and annual reporting, including annual report format for the IGFT to improve transparency and accountability;
  - (b) in the process of preparing the IGFT Operational Manual, work alongside the SCRNL and shall agree on the content of said manual; and
  - (c) a year after the IGFT Operational Manual is approved, shall prepare the first-year annual report to detail the IGFT sources of funds and their allocations to LGUs from the previous calendar year, all in accordance with the guidance and procedures set forth in the IGFT Operational Manual.
3. The Recipient through the SCRNL shall, not later than 90 days after the final draft of the IGFT Operational Manual is received by the SCRNL adopt said manual in a manner acceptable to the Bank.
4. The Recipient shall ensure that the SCRNL remains in place and active during Project implementation in a manner acceptable to the Bank.

**G. Subgrants for the C4W Program under Part 6(b) of the Project**

1. MDLF shall award C4W Subgrants to Participating Municipalities for the implementation of the C4W Program, all in accordance with the criteria and procedures set forth in the POM, and to review, appraise and select proposals and supervise implementation, all in accordance with the POM, the ESCP, and the respective C4W Subgrant Agreements.
2. MDLF shall award each subgrant under a legally binding grant agreement (“C4W Subgrant Agreement”) with the respective Participating Municipality on terms and conditions approved by the Bank.
3. MDLF shall exercise its rights and carry out its obligations under each C4W Subgrant Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Grant.



4. Except as the Bank shall otherwise agree, MDLF shall not assign, amend, abrogate or waive any C4W Subgrant Agreement or any of its provisions.

**H. Annual Work Plans and Budgets**

1. Not later than November 30 in each calendar year, the Project Implementing Entity, for the purpose of forwarding to the Bank, shall submit an annual work plan and budget for the Project for the subsequent calendar year of the Project, of such scope and detail as the Bank shall have reasonably requested.
2. The Project Implementing Entity shall afford the Bank a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall carry out such annual work plan and budget during such subsequent calendar year as shall have been approved by the Bank (“Annual Work Plan and Budget”). Only those activities that are included in a Biennial Work Plan and Budget shall be eligible for financing out of the proceeds of the Grant.
3. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.
4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Bank’s prior written approval.

**I. Environmental and Social Standards**

1. MDLF shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, MDLF shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, MDLF shall ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
  - (b) sufficient funds (from the Recipient, the Project and non-government beneficiaries’ sources), are available to cover the costs of implementing the ESCP;
  - (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

- (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. MDLF shall:

- (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
- (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including without limitation any potential Project-related occupational health and safety accidents and incidents or Project-related allegations of GBV or Project-related child labor, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

4. MDLF shall maintain and publicize the availability of a Grievance Redress Mechanism (“GRM”), in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports; Annual Work Plan; Completion Report**

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the Bank. Each interim Project Report shall cover the period of the first six (6) calendar months of each calendar year and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. In addition to the interim Project Reports referred to in paragraph 1 above:
  - (a) the Project Implementing Entity shall prepare cumulative annual Project Reports at the end of each calendar year. Such cumulative annual Project Reports should be prepared in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the Bank and shall include a report on the performance of the Annual Work Plan for the preceding calendar year. Each such cumulative annual Project Report shall cover the period of the preceding twelve (12) months and shall be furnished to the Bank not later than sixty (60) days after the end of the period covered by such report; and
  - (b) the cumulative annual Project Reports referred to in paragraph (a) above shall include the relevant part of the Annual Work Plan for review and approval by the Bank, including indicative amounts needed to implement the activities under the respective Annual Work Plan, prepared in accordance with the format included in the Project Operational Manual, and the Project Implementing Entity shall agree with the Bank on steps to be taken in the following calendar year.
3. The Project Implementing Entity shall jointly undertake with the Bank a review of the Project activities based on the report referred to in paragraph 2 above.
4. The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Bank not later than six (6) months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

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

shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.