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TFGWB GRANT NUMBER TF0C4907

# **Trust Fund for Gaza and West Bank Grant Agreement**

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

**between**

**PALESTINE LIBERATION ORGANIZATION  
(for the benefit of the Palestinian Authority)**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
*(acting as administrator of the Trust Fund for Gaza and West Bank)***

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**TRUST FUND FOR GAZA AND WEST BANK GRANT AGREEMENT**

AGREEMENT dated as of the Signature Date between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Bank”), acting as 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 (“Trust Fund”).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Association have resolved, on June 30, 2023 to, *inter alia*, replenish the Trust Fund in the amount of eighty million United States Dollars (\$80,000,000), 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 (“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 (“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;

(D) the Recipient has requested the Bank to assist in financing the project described in Schedule 1 to this Grant Agreement (the “Project”);

(E) the Bank has agreed, on the basis, among other things, of the foregoing to extend a Grant to the Recipient, for the benefit of the Palestinian Authority, for the purpose of providing additional financing to the Original Project and activities related to the Original Project (as defined in the Appendix to this Agreement) (“Project”) upon the terms and conditions set forth in this Agreement; and

(F) the Bank, acting as administrator of the Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF), has agreed to make a grant in the amount of seven million United States Dollars (USD 7,000,000) (“PID-MDTF Grant”) to the Recipient, for the benefit of the Palestinian Authority, for purposes of financing the Project, on the terms and conditions set forth in the PID-MDTF Grant Agreement.

The Recipient and the Bank hereby agree as follows:

**Article I**  
**Standard Conditions; Definitions**

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the Appendix this Agreement.

**Article II**  
**The Project**

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

**Article III**  
**The Grant**

- 3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed fifteen million United States Dollars (\$15,000,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

**Article IV**  
**Remedies of the Bank**

- 4.01 The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:
- (a) that the legal instrument(s), pursuant to which the MDLF has been established and is operating, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MDLF to perform any of its obligations under this Agreement, the Project Agreement and the On-granting Agreement.
  - (b) IBRD or IDA has declared the MDLF 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 MDLF 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 MDLF 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 MDLF has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.
  - (c) The 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 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 Bank has been furnished that the conditions specified below have been satisfied in a manner and in form and substance satisfactory to the Bank:
- (a) the execution and delivery of this Agreement, the PID-MDTF Grant Agreement, and the Project Agreements, on behalf of the Recipient and MDLF respectively, have been duly authorized or ratified by all necessary governmental and corporate action;

- (b) the Subsidiary Agreement referred to in Section I.A.1 of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Palestinian Authority; and
  - (c) the On-Granting Agreement referred to in Section I.A.2 of Schedule 2 to this Agreement has been executed on behalf of the Palestinian Authority and MDLF.
- 5.02. By signing each of: (a) this Agreement; (b) the Subsidiary Agreement; (c) the On-granting Agreement; and (d) the Project Agreement (for purposes of this Section, each, a “Warranted Agreement”), the Recipient shall be deemed to represent and warrant that on the Signature Date, or on the date agreed by the parties thereto to be the date of the Subsidiary Agreement, the respective Warranted Agreement, has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms.
- 5.03. Except as the Recipient and the Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the 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 Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the 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 Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The 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 its Ministry of Finance.
- 6.02. For purposes of Section 7.01 of the Standard Conditions: (a) the Recipient’s address is:

Ministry of Finance of the Palestinian Authority  
Ramallah  
West Bank

Telephone:  
970-2-297 8846

Facsimile:  
970-2-297-8845

- 6.03. For purposes of Section 7.01 of the Standard Conditions: (a) the Bank's address is:

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

- (b) the Bank's Electronic Address is:

Telex:

Facsimile:

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

AGREED as of the Signature Date.

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

**By**

*Honorable Omar Al. Bitar*

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

**Name:** Honorable Omar Al. Bitar

**Title:** Minister of Finance

**Date:** 03-Jul-2024

**INTERNATIONAL DEVELOPMENT  
ASSOCIATION  
(acting as administrator of the Trust Fund for Gaza and West  
Bank)**

**By**



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

**Name:** Stefan Emblad

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

**Date:** 02-Jul-2024

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank.

The Project consists of the following parts:

#### **Part 1: Performance Based Service Delivery Grants**

Providing subgrants for Participating Municipalities to finance municipal infrastructure for improved service delivery (PBSD Subgrants) through: (a) Block Grants to provide the basic funding for Participating Municipalities for infrastructure development based on needs and equity; and (b) a Performance Grant to provide an incentive for Participating Municipalities to improve their performance in key performance areas.

#### **Part 2: Sector Policy and Institutional Development**

Providing technical assistance, policy guidance, analytical tools, and capacity building training for MoLG, MoF, MDLF and Participating Municipalities to (i) improve regulatory oversight; (ii) increase transparency and accountability in administering the intergovernmental fiscal system; (iii) develop ways and means of improving local government revenues; and (iv) provide on-demand technical support, by:

- (a) Strengthening the Participating Municipalities' capacity through the provision of:
  - (i) technical assistance in several areas identified by both the Participating Municipalities and MDLF including, budget preparation, financial management, procurement, investment planning, operation and maintenance programming, social accountability, credit worthiness and e-governance; and (ii) funding for pre-investment studies for civil works and for preparing tailored on-demand capacity building packages.
- (b) Strengthening MoLG in its capacity as policy maker and regulator of the local government sector, and MoF in implementing its property tax devolution to municipalities, municipal net lending portal, and for its fiscal transfer payments to municipalities, through:
  - (i) Providing technical assistance to improve the existing national-level Municipal finance information system to hold and analyze annual financial and budgetary data submitted by the Participating Municipalities.
  - (ii) Providing technical assistance to (a) prepare a national operational manual for the Intergovernmental Fiscal Transfer System ("IGFT"), including the



procedures, roles and functions of different entities, allocation formula for fiscal transfers, timetable and calendar for financial flow transactions, and annual reporting; and (b) produce an annual report format for the IGFT to improve transparency and accountability and once approved and adopted, support preparation of the first-year annual report to detail the IGFT contributing source funds and their allocations to LGUs in accordance with the guidance and procedures set out in the operations manual for the IGFT.

- (iii) Supporting MoF, MoLG and other agencies in developing strategies, processes and systems to monitor the LGU net lending within the Recipient's net lending program, as well as providing customized support to chronically distressed Participating Municipalities with high stock/flow of arrears and provide support to develop Annual Work Plans.
- (iv) Identifying policies recommendations to increase LGU own-source revenues, as well as, improving the MoF and Participating Municipalities property tax collection and devolution to Participating Municipalities.
- (v) Providing technical assistance in (i) rationalizing LGU functional responsibilities; (ii) updating LGU classifications; and (iii) mainstreaming and institutionalizing LGU project performance criteria into a conditional grant facility within the IGFT system.
- (vi) Supporting MDLF transition to fulfill its mandate of improving LGU efficiency and financial sustainability.

### **Part 3: Competitive Grants for Natural Hazard and Climate Change Resilience**

Providing technical assistance and financing to Participating Municipalities for addressing natural hazard and climate change related risks, through:

- (a) Developing primary and secondary level urban risk assessments for natural hazard risks in Participating Municipalities, as well as supporting the inclusion of risk mitigation works identified in the strategic development and investment plan.
- (b) Provision of support for natural hazard and climate change risk informed sub-projects (NHCC Subprojects).

### **Part 4: Project Implementation Support and Management**

Provision of support for Project implementation, including: (i) management costs of the MDLF; (ii) acquisition of required goods and consulting and non-consulting services, including a local technical consultant for the engineering supervision of Part 1, Part 3(b), and Part 6; (iii) social and environmental safeguards management; (iv) procurement; (v) outreach; (vi) communications; and (vii) Monitoring and Evaluation.

**Part 5: Contingent Emergency Response Component**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

**Part 6: Emergency, O&M Support to Participating Municipalities**

Provision of support for Participating Municipalities to:

- (a) cover part of their Recurrent O&M Expenditures; and
- (b) maintain the provision of local services through labor-intensive O&M, and local infrastructure development activities, through the financing of C4W Subgrants to Participating Municipalities under the C4W Program.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other 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 Bank.
2. The Palestinian Authority shall on-grant the proceeds of the Grant allocated to Part 4 of the Project to MDLF under an on-granting agreement (“*On-Granting Agreement*”) to be entered into between the Palestinian Authority and MDLF, under terms and conditions approved by the Bank.
3. The Palestinian Authority shall: (a) perform in accordance with the provisions of the Subsidiary Agreement and 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; and (c) not take or permit to be taken any action which would prevent or negatively interfere with the carrying out of the Project.
4. The Recipient shall exercise its rights under the Subsidiary Agreement and On-Granting Agreement, as the case may be, in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the Grant. Except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

##### B. **Institutional and Other Arrangements**

1. The Recipient shall cause MDLF to maintain overall responsibility for the Project including preparation of Annual Work Plans and Budgets and adequate compliance with the Bank’s fiduciary requirements and to maintain for the duration of the Project capability, form, and functions, staffing and resources satisfactory to the Bank.
2. The Recipient shall cause MDLF: (i) to carry out the Project in accordance with the On-Granting Agreement, the Project Agreement and the POM; (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 and/or the Project Operational Manual without prior approval of the Bank.

**C. Project Operational Manual**

1. The Recipient shall cause MDLF to, no later than 45 days after the Effective Date, update and adopt the Project Operational Manual for the Original Project, 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 PBSD Subgrants; (g) Performance Measures to be used to determine PBSD 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 Project Agreement, the terms of this Agreement shall prevail. The Recipient, through Palestinian Authority, shall ensure that the POM is not amended without the prior written agreement of the Bank.

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

1. The Recipient shall cause MDLF to award subgrants to the Participating Municipalities (“PBSD Subgrants”) in accordance with the Minimum Conditions set forth in the POM and to review, appraise and select Subprojects (“PBSD Subprojects”), all in accordance with the Project Operational Manual, the ESCP, and the respective PBSD Grant Agreement.
2. Each PBSD Subgrant shall be awarded under a legally binding grant agreement to be entered with each Participating Municipality (“PBSD 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 PBSD Subgrant, or obtain a refund of all or any part of the amount of the PBSD Subgrant then disbursed upon the Participating Municipality’s failure to perform any of its obligations under the PBSD Grant Agreement; and (b) require each respective

Participating Municipality to: (i) carry out the PBSD 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 MDLF, the Recipient and the Bank all such information as the Recipient or the Bank shall reasonably request.

**E. 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, the Recipient, shall cause MDLF to 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. The Recipient shall cause MDLF to 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. The Recipient shall cause MDLF to exercise its rights and carry out its obligations under each NHCC 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, the Recipient shall cause MDLF to not assign, amend, abrogate or waive any NHCC Subgrant Agreement or any of its provisions.

**F. Performance Assessments**

For the purposes of implementing Part 1 of the Project, the Recipient shall cause MDLF through the Project Agreement to 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.

**G. 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.
2. 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.
3. The Recipient shall ensure that the SCRNL remains in place and active during Project implementation in a manner acceptable to the Bank.

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

1. The Recipient shall cause MDLF to 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. The Recipient shall cause MDLF to 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. The Recipient shall cause MDLF to 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, the Recipient shall cause MDLF to not assign, amend, abrogate or waive any C4W Subgrant Agreement or any of its provisions.

**I. Annual Work Plans and Budgets**

1. The Recipient shall cause MDLF that not later than November 30 in each calendar year, to submit to the Bank an annual work plan and budget for the Project (including Training and Operating Costs) for the subsequent calendar year of the Project.
2. The Recipient, through the Palestinian Authority, shall afford the Bank a reasonable opportunity to review such draft annual work plan and budget, and thereafter shall cause MDLF to 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 an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Grant.
3. MDLF may revise Annual Work Plans and Budgets as needed during Project implementation subject to the Bank’s prior written approval.

**J. Environmental and Social Standards**

1. The Recipient, through the Palestinian Authority, shall and shall cause MDLF, through the Project Agreement, to 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, the Recipient through the Palestinian Authority shall and shall cause MDLF, through the Project Agreement, to 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, the Recipient 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. The Recipient, through the Palestinian Authority, shall and shall cause MDLF, through the Project Agreement, to:

- (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. The Recipient shall and shall cause MDLF, through the Project Agreement, to 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.

**K. Contingent Emergency Response under Part 5 of the Project**

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:



- (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Bank, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
  - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank;
  - (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
  - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Bank.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Bank.
3. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Bank; and
  - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.

4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

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

**A. Project Reports**

1. The Recipient, through Palestinian Authority, shall cause MDLF to furnish each Project Report to the Bank not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.
2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Bank, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

**Section III. 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) Disbursement and Financial Information Letter; and (c) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes) *</b>
(1) MDLF Management Fee	1,050,000	100%
(2) Goods, works, non-consulting services, consulting services, Training, PBSB Subgrants and NHCC Subgrants under the Project (except for those covered under Category (3) and (4) below).	0	100%

(3) Emergency Expenditures under Part 5 of the Project	0	100%
(4) Recurrent O&M Expenditures and C4W Subgrants under Part 6 of the Project.	13,950,000	100%
<b>TOTAL AMOUNT</b>	<b>15,000,000</b>	

\*Percentages of disbursements will be allocated following the specifications included in the Annual Work Plans.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

(a) payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed USD3,000,000 may be made for payments made in the 12 months prior to the Signature Date, for Eligible Expenditures under Category (4); or

(b) Emergency Expenditures under Category (3), unless and until all of the following conditions have been met in respect of said expenditures:

(i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Grant amounts under Category (3); and (B) the Bank has agreed with such determination, accepted said request and notified the Recipient thereof; and

(ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.

3. The Closing Date is December 31, 2028.

## SCHEDULE 3

### Amendment to the Original Grant Agreement

1. Schedule 1, Project Description, first paragraph of the Original Grant Agreement is hereby replaced with the following:

*“The objective of the Project is to strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank.”*

2. A new Part 6 of the Project under Schedule 1 of the Original Grant Agreement, is hereby added to read as follows:

**“Part 6: Emergency, O&M Support to Participating Municipalities**

*Provision of support for Participating Municipalities to:*

- (a) *cover part of their Recurrent O&M Expenditures; and*
- (b) *maintain the provision of local services through labor-intensive, O&M, local infrastructure development activities, through the financing of C4W Subgrants to Participating Municipalities under the C4W Program.”*

3. Section I.A.4 of Schedule 2 to the Original Grant Agreement is hereby deleted and the remaining paragraph is renumbered accordingly.

4. Section I.C.1 of Schedule 2 to the Original Grant Agreement is hereby amended to add paragraph (j) to the contents of the Project Operational Manual, to read as follows, and the following paragraph is renumbered accordingly:

*“(j) 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;”*

5. A new Section I.H is hereby added to Schedule 2 to the Original Grant Agreement, to read as follows and the following Sections are renumbered accordingly:

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

1. *The Recipient shall cause MLDF to 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. *The Recipient shall cause MDLF to 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. *The Recipient shall cause MDLF to 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, the Recipient shall cause MDLF to not assign, amend, abrogate or waive any C4W Subgrant Agreement or any of its provisions.”*
6. The withdrawal table in Section III.A.1 of Schedule 2 to the Original Grant Agreement, is replaced in its entirety by the table below:

<b>Category</b>	<b>Amount of the Grant Allocated (Expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes)</b>
<i>(1) MDLF Management Fee</i>	<i>1,050,000</i>	<i>100%</i>
<i>(2) Goods, works, non-consulting services, consulting services, Training, PBSD Subgrants and NHCC Subgrants under the Project (except for those covered under Category (3) and (4) below).</i>	<i>13,010,000</i>	<i>100%</i>
<i>(3) Emergency Expenditures under Part 5 of the Project</i>	<i>0</i>	<i>100%</i>
<i>(4) Recurrent O&amp;M Expenditures and C4W Subgrants under Part 6 of the Project.</i>	<i>940,000</i>	<i>100%</i>
<b>TOTAL AMOUNT</b>	<b>15,000,000</b>	

7. Section III.B.2 of Schedule 2 to the Original Grant Agreement is replaced by the following:
 

*“2. The Closing Date is December 31, 2028.”*
8. The existing definition of “Participating Municipalities” is hereby amended to read as follows:

*“Participating Municipalities” means municipalities located in the West Bank eligible to receive PBSD and/or NHCC Subgrants under Parts 1 and 3(b) of the Project, and to receive financing for partially covering Recurrent O&M Expenditures and to participate in the C4W Program under Part 6 of the Project, and to benefit from activities under Parts 2 and 3(a) of the Project, all in accordance with the criteria set forth in the POM.”*

9. The existing definition of “PBSD Subgrants” hereby amended to read as follows:

*“PBSD Subgrants” means a set of Block and Performance grants for the financing of goods, works, and to be provided to Participating Municipalities under Part 1 of the Project, in accordance with procedures and criteria set forth in the Project Operational Manual.*

10. New definitions are added to the Appendix of the Original Grant Agreement, to read as follows (on the alphabetical order that corresponds):

*“C4W Program” means activities identified by the Participating Municipality as necessary to restore or maintain critical municipal services, following the criteria established in the POM, and to be implemented through labor-intensive activities, all under terms and conditions included in the POM.*

*“C4W Subgrants” means the subgrants under Part 6(b) of the Project, for the financing of the C4W Program, to be provided to Participating Municipalities according to procedures and criteria set forth in the POM.*

*“C4W Subgrant Agreement” means each of the agreements referred to in Section I.H.2 of Schedule 2 to this Agreement.]*

*“O&M” means operating and maintenance.*

*“Operating and Maintenance Expenditures” means critical municipal services in the West Bank to be restored or maintained, supported under Part 6(a) of the Project, including costs of labor, equipment and supplies for roads repairs and maintenance (filling of potholes, crack repair and sealing, etc.), periodic cleanup of drainage system, O&M of slaughterhouses, solid waste collection and sorting, fumigation, clean-up and other activities as included in the POM .*

*“Recurrent O&M Expenditures” means expenditures eligible to be financed under Part 6(a) of the Project, at a percentage calculated following the methodology included in the POM, on account of the cost of providing essential municipal services, including: 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; the cost of maintaining and operating municipal service vehicles; equipment spare parts; vehicle insurance; maintaining electromechanical and IT equipment.”*

All other provisions of the Original Grant Agreement, except as amended herein, shall remain in full force and effect.

## **APPENDIX**

### **Section I. Definitions**

1. “Annual Work Plan and Budget” means the annual work plan and budget as prepared by MDLF for and approved by the Bank in accordance with the provisions of Section I.I of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, 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, and as of July 1, 2016.
3. “Block Grants” means a type of subgrants under Part 1 of the Project, aimed at providing basic funding for Participating Municipalities for infrastructure development based on needs and equity.
4. “CERC Manual” means the manual referred to in Section I.F of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Bank, and which is an integral part of the Project Operational Manual.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.
7. “C4W Program” means activities identified by the Participating Municipality as necessary to restore or maintain critical municipal services, following the criteria established in the POM, and to be implemented through labor-intensive activities, all under terms and conditions included in the POM.
8. “C4W Subgrants” means the subgrants under Part 6(b) of the Project, for the financing of the C4W Program, to be provided to Participating Municipalities according to procedures and criteria set forth in the POM.
9. “C4W Subgrant Agreement” means each of the agreements referred to in Section I.H.2 of Schedule 2 to this Agreement.
10. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.



11. “Emergency Action Plan” means the plan referred to in Section I.K.1(b) of Schedule 2, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
12. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.K of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
13. “Environmental and Social Commitment Plan” or “ESCP” means the Recipient’s environmental and social commitment plan, acceptable to the Bank, dated April 30, 2024 which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
14. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
15. “Grant Agreements” means the legal agreements of even date entered between the Recipient and: (i) the Bank, acting as administrator of the PID-MDTF, in the amount of seven million United States Dollars (USD 7,000,000); and (ii) the Bank, acting as administrator of the Trust Fund for Gaza and the West Bank (GWBTF), in the amount of fifteen million United States Dollars (USD 15,000,000), for purposes of financing the Project, on the terms and conditions set forth in their respective Grant Agreements.
16. “IGFT” means Intergovernmental Fiscal Transfer System.

17. “IGFT Operational Manual” means the manual referred to in Section I.G.1 of Schedule 2 to this Agreement.
18. “LGU” means the Recipient’s local government units.
19. “MDLF” and “Project Implementing Entity” means 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, pursuant to which MDLF has been established and is operating.
20. “MDLF Management Fee” means a fee for the administration expenses incurred by the MDLF 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 Bank, as such budget may be updated from time to time by agreement between the MDLF and the Bank.
21. “Minimum Conditions” means the basic requirements that all Participating Municipalities should comply with to become eligible to receive the PBSB Subgrants under Part 1 of the Project, as further detailed in the POM.
22. “MoF” means the Recipient’s Ministry of Finance or any successor thereof.
23. “MoLG” means the Recipient’s Ministry of Local Government or any successor thereof.
24. “NHCC Subgrant Agreement” means each of the agreements to be entered between MDLF and each Participating Municipality for the purposes of financing the NHCC Subprojects under Part 3(b) of the Project.
25. “NHCC Subgrant” means grants for the financing of goods, works and services for NHCC Subprojects, to be provided to Participating Municipalities under Part 3(b) of the Project, in accordance with procedures and criteria set forth in the Project Operational Manual.
26. “NHCC Subprojects” means climate change mitigation and adaptation infrastructure works to be implemented by Participating Municipalities, based on plans and designs for the management, operation and maintenance of infrastructure built under each NHCC Subproject, financed with NHCC Subgrants following the procedures and criteria set forth in the POM.
27. “O&M” means operating and maintenance.
28. “On-Granting Agreement” means the agreement referred to in Section I.A.2 of Schedule 2 to this Agreement pursuant to which the Palestinian Authority shall make the proceeds of the Grant available to MDLF.

29. “Operating and Maintenance Expenditures” means critical municipal services in the West Bank to be restored or maintained, supported under Part 6(a) of the Project, including costs of labor, equipment and supplies for roads repairs and maintenance (filling of potholes, crack repair and sealing, etc.), periodic cleanup of drainage system, O&M of slaughterhouses, solid waste collection and sorting, fumigation, clean-up and other activities as included in the POM .
30. “Original Grant” means the financing provided to the Recipient under the Original Grant Agreement.
31. “Original Grant Agreement” means the grant agreement between the Palestinian Liberation Organization (for the benefit of the Palestinian Authority) and the Bank, acting as administrator of the Trust Fund for Gaza and West Bank, for the Resilient Municipalities Services Project, dated May 17, 2023 (Grant No. TF0C0651).
32. “Original Project” means the Project described in Schedule 1 to the Original Grant Agreement.
33. “Participating Municipalities” means municipalities located in the West Bank eligible to receive PBSB and/or NHCC Subgrants under Parts 1 and 3(b) of the Project, and to receive financing for partially covering Recurrent O&M Expenditures and to participate in the [C4W Program] under Part 6 of the Project, and to benefit from activities under Parts 2 and 3(a) of the Project, all in accordance with the criteria set forth in the POM.
34. “PBSB Subgrants” means a set of Block and Performance grants for the financing of goods, works, and services to be provided to Participating Municipalities under Part 1 of the Project, in accordance with procedures and criteria set forth in the Project Operational Manual.
35. “PBSB Subprojects” means municipal infrastructure activities that Participating Municipalities will identify and prioritize based on their strategic development and investment plan through a participatory public consultation process and financed with a PBSB Subgrants in accordance with the procedures and criteria set forth in the POM.
36. “PBSB Subgrant Agreement” means an agreement to be entered between MDLF and each of the Participating Municipalities for the purposes of financing a PBSB Subproject under Part 1 of the Project in accordance with procedures and criteria set forth in the Project Operational Manual.

37. “Performance Grants” means a type of subgrants under Part 1 of the Project, aimed to provide an incentive for Participating Municipalities to improve their performance in key performance areas.
38. “Performance Measures” means a set of predefined targets that Participating Municipalities should achieve, covering various thematic areas that will determine the size of PBSB Subgrants allocated to Participating Municipalities, and inform capacity building needs and overall monitoring and evaluation systems.
39. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.
40. “PID-MDTF” means Partnership for Infrastructure and Development in the West Bank and Gaza Multi-Donor Trust Fund.
41. “PID-MDTF Grant Agreement” means the Grant Agreement of even date between the Recipient and the Bank, acting as administrator of the PID-MDTF providing a grant in an amount of seven million U.S. Dollars (USD 7,000,000) for the Project.
42. “Procurement Regulations” means, for purposes of paragraph 20 of the Appendix to the Standard Conditions, the “Bank Procurement Regulations for IPF Borrowers”, dated September 2023 .
43. “Project Operational Manual” or “POM” means the manual, referred to in Section I.C of Schedule 2 of this Agreement, satisfactory to the Bank containing detailed institutional, administrative, financial, social, technical and operational guidelines and procedure for the implementation of the Project.
44. “Project Agreement” means the agreement of even date, to be entered into between MDLF and the Bank.
45. “Recurrent O&M Expenditures” means expenditures eligible to be financed under Part 6(a) of the Project, *at a percentage calculated following the methodology included in the POM* on account of the cost of providing essential municipal services, including: 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; the cost of maintaining and operating municipal service vehicles; equipment spare parts; vehicle insurance; maintaining electromechanical and IT equipment.

46. “SCRNL” means the Recipient’s steering committee for revenues and net lending, created through Cabinet Decree No. 18/152/11 of 2022, to facilitate devolving property tax collection to municipalities, develop fiscal policy, revenues for LGUs and a vision for potential additional revenue sources for LGUs, and comprised of MoF, the ministry of local government and ministry of interior.
47. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.
48. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Grant Financing Made by the Bank out of Trust Funds”, dated February 25, 2019, with the modifications set forth in Section II of this Appendix.
49. “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.
50. “Training” means training activities (other than consultant’s services) to be carried out under the Project, as approved by the 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 facilitator’s fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly related to the training, workshop and/or the study tour activity, as may be agreed with the Bank.

## **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 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 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. 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 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 (c) of Section 4.02 is amended to read as follows:

“(c) *Fraud and Corruption.* At any time, the 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 Bank to address such practices when they occur.”
- 5. Re-lettered Sub-section (d) of Section 4.02 is amended to read as follows:

“(d) *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 (g) of Section 4.02 is amended to read as follows:

“(g) *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 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 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 (i) of Section 4.02 is amended to read as follows:

“(i) *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 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 (j) of Section 4.02 is amended to read as follows:

“(j) *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 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 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 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 Bank to the Recipient, promptly refund such amount to the 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 Bank to address such practices when they occur.”

11. Sub-section (k) of Section 5.03 is amended to read as follows:



“(k) 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 (18) of the Appendix is deleted and, consequently, paragraphs (19) through (28) are re-numbered as paragraphs (18) through (27).