
TFGWB GRANT NUMBER TF0C2668

Trust Fund Grant Agreement

(Finance for Jobs III 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 the 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 the 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 28, 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 to extend the Grant to the Recipient, for the benefit of the Palestinian Authority, for the purpose of financing the project as described in Schedule 1 to the Agreement (“Project”) upon the terms and conditions set forth in this 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 PIA, in accordance with the provisions of Article II of the Standard Conditions.

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, namely that 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 this Agreement, and the Implementation Agreement.

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 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;
 - (b) The Implementation Agreement referred to in Section I.A.2 of Schedule 2 to this Agreement has been amended to incorporate the specificity of this Project.
 - (c) The Operational Manual, acceptable to the Bank, shall have been amended by the PIA to incorporate the specificity of this Project.
- 5.02. By signing each of: (a) this Agreement; (b) the Subsidiary Agreement; and (c) the Implementation 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:	Facsimile:	E-mail
970-2-297 8846	970-2-297-8845	minister@pmof.ps

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:	E-mail
248423 (MCI) or 64145 (MCI)	1-202-477-6391	semblad@worldbankgroup.org

AGREED as of the Signature Date.

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

By

Mr. Shukri Bishara

Authorized Representative

Name: Mr. Shukri Bishara

Title: minister of finance

Date: 16-Oct-2023

INTERNATIONAL DEVELOPMENT
ASSOCIATION

(acting as administrator of the Trust Fund for Gaza and West Bank)

By

Stefan Emblad

Authorized Representative

Name: Stefan Emblad

Title: Country Director

Date: 13-Oct-2023

SCHEDULE 1

Project Description

The objective of the Project is to sustain and expand the scope of the innovative financial instruments tested under Finance for Jobs (F4J) I & II, and to incentivize private investment mobilization and job creation.

The Project consists of the following parts:

Part 1: Development Impact Bond for Skills Development for Employment

Supporting Recipient in issuing a Development Impact Bond (DIB) 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.

Part 2: Investment Co-Financing Facility

1. Providing risk-sharing grants in support of commercially sound, job-creating private sector investments (ICF Sub-Projects) through an Investment Co-Financing Facility Instrument;
2. Providing technical assistance and capacity building to support the preparation of potential ICF Sub-Projects and MoF.

Part 3: Project Management

Providing support to the PIA and potentially other strategic counterparts for day-to-day Operating Costs, coordination, monitoring and evaluation, including fiduciary control and oversight, environmental and social risk management (including preparation and implementation of Environmental and Social Framework (ESF) instruments and requirements), preparation of Project reports and hiring of specialized, technical expertise needed for the implementation of the DIB and/or the ICF.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. **Subsidiary Agreement and Implementation 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: (a) perform in accordance with the provisions of the Subsidiary 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.
3. The Recipient shall exercise its rights under the Subsidiary 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.
4. For the purpose of implementing the Project, the Recipient, through the Palestinian Authority, shall amend the Implementation Agreement with PIA to include the specificity of this Project, maintaining the capacity, functions, staffing and resources satisfactory to the Bank, including, *inter alia*, specialists in procurement, financial management, environmental and social risk management/ESF implementation and monitoring and evaluation. The Implementation Agreement shall include terms and conditions approved by the Bank, including, *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 ESCP;
- (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 Bank, adequate to reflect its operations and financial condition; and (C) register separately the operations, resources and expenditures related to the Project;
- (vi) contract an SPV in accordance with the provisions of this Agreement, the Implementation Agreement, and the POM, in a form and with functions and management satisfactory to the 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 Outputs and Outcomes, at the values established in the Output and Outcome Tariffs, and specified in the Funding and Performance Agreement, and specified in the Funding and Performance Agreement;
- (viii) maintain the Independent Verification Agent, as referred to in paragraph I of Section I below;
- (ix) promptly inform the Palestinian Authority and the Bank of any condition which interferes or threatens to interfere with the progress of the Project and the performance of its obligations under the Implementation Agreement; and
- (x) neither take nor concur in any action which would have the effect of amending, abrogating, assigning, or waiving the Implementation Agreement.

2. The Recipient shall cause the Palestinian Authority to ensure that the Implementation Agreement includes a provision stipulating that in the case of conflict between the 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 Implementation Agreement in such manner as to protect the interests of the Palestinian Authority and the Bank and to accomplish the purposes of the Grant.
4. Except as the Bank shall otherwise agree, the Recipient shall cause the Palestinian Authority not to assign, amend, abrogate, or waive the Implementation Agreement or any of its provisions.

B. Institutional Arrangements

1. The Recipient shall, through the Palestinian Authority, cause the Ministry of Finance to maintain overall responsibility for the Project.
2. The Recipient shall, through the Palestinian Authority, cause PIA to, not later than one (1) year after the Effectiveness Date, enter into a Funding and Performance Agreement with the SPV, on the terms and conditions acceptable to the 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 Outputs and Outcomes, at the values established in the Output and Outcome Tariffs and specified in the Funding and Performance Agreement; 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.

C. Project Operations Manual

1. The Recipient shall cause the PIA to amend the Project Operational Manual ("POM"), under terms and conditions 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 and its 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) detailed description of the Output and Outcome Tariffs methodology used

to establish the contractual metrics (e.g., acceptance to the program, training completion, starting employment, job sustainment) and their values against which DIB outcome payments are to be made); (g) eligibility criteria and procedures to be applied for selection of ICF Sub-Projects under Part 2 of the Project; (h) detailed procedures for making DIB Payments to DIB Investors under Part 1 of the Project upon Independent Verification Agent verifying: (i) whether Outcomes and Outputs have been achieved; and (ii) 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. DIB Investments

1. The Recipient shall ensure that the PIA causes the SPV to:
 - (a) act as DIB SPV, being responsible for the overall management of Part 1 of the Project, organization and coordination of all activities involved in Part 1 of the Project, reporting to the PIA and to the Bank, and monitoring performance of Part 1. In particular, the DIB SPV shall:
 - (i) 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 Outcome reports and invoices to PIA for achieved Outputs and Outcomes.
 - (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 Bank, and which shall include, *inter alia*:

- (i) SPV's obligation to pay DIB Service Providers;
- (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 and employment services 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;
 - F. preparing reports and summaries on services rendered for DIB SPV.
- (c) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the 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 Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish the statements as so audited to the Bank, if requested, not later than six (6) months after the end of such Fiscal Year;
- (d) enter into a shareholder agreement with the DIB Investors on terms and conditions acceptable to the 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 paragraph (C)(2)(a) of Section I, Schedule 2 of this Agreement, all on the terms and conditions acceptable to the Bank, as set forth in the POM.

E. Verification Protocol

The Recipient, through the Palestinian Authority, shall cause the PIA to maintain throughout Project implementation, the Independent Verification Agent under terms of reference approved by the Bank, to: (1) design a verification scheme and supervise its implementation for the purpose of certifying achievement of Outputs and Outcomes

reflected in the Outputs and Outcomes Tariffs 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 Bank shall request.

F. Investment Co-Financing Facility

1. Prior to carrying out the activities under Component 2, the Recipient shall ensure that PIA provides financing to eligible ICF Sub-Projects in a form of a loan, equity investment, grant or any other type of financing as shall be agreed with the Bank (“ICF Financing”), and complies with the terms of Anti-Corruption Guidelines.
2. Prior to carrying out the activities under Component 2, the Recipient shall ensure that PIA selects eligible ICF Sub-Projects in accordance with the eligibility criteria, terms and procedures set forth in the POM, which will include, without limitation, the following:
 - (a) Commercial soundness of the ICF Sub-Project;
 - (b) ICF Sub-Project’s compliance with the ESF Instruments/requirements;
 - (c) Social rate of return, as measured by job creation and associated externalities; and
 - (d) Successful completion of the integrity due diligence.
3. The Recipient shall ensure that, throughout Project implementation, PIA maintains pre-screening, evaluation and supervision procedures for ICF Enterprises and ICF Sub-Projects acceptable to the Bank.
4. Prior to carrying out the activities under Component 2, the Recipient shall ensure that PIA enters into an ICF Agreement with each eligible ICF Enterprise for the ICF Sub-Project under terms and conditions approved by the Bank, which will include, *inter alia*, the following terms and conditions:
 - (a) The ICF Enterprise shall undertake: (A) to carry out its respective activities with due diligence and efficiency and in accordance with sound technical, financial, and managerial standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines and the environmental and social standards; (B) provide, promptly as needed the resources required for these purposes; and (C) maintain adequate records;
 - (b) the ICF Enterprise shall ensure that the goods and/or services to be financed out of the proceeds of ICF Financing shall be procured in accordance with the provisions of the Bank’s Procurement Regulations

and used exclusively in carrying out the activities to be financed by the ICF Financing;

- (c) the ICF Enterprise shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Bank, the progress of its activities and the achievement of its objectives;
- (d) the ICF Enterprise shall: (A) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its activities; and (B) for each Fiscal Year, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish the statements as so audited to the Bank, if requested, not later than six (6) months after the end of such Fiscal Year;
- (e) the Recipient shall have the right to inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, a site of the ICF Sub-project, and plants included in the activities, the operations thereof, and any relevant records and documents;
- (f) the ICF Enterprise shall prepare and furnish to the Recipient and the Bank, all such information as the Bank shall reasonably request, relating to the implementation of the activities, and the performance of its obligations under the ICF Agreement;
- (g) ICF Enterprise undertakes that the proceeds of the ICF Financing shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the ICF Financing was used to make a payment for an Excluded Expenditure, the ICF Enterprise shall, promptly upon notice from the PIA, refund an amount equal to the amount of such payment to the PIA;
- (h) the Recipient may suspend or terminate the right of the ICF Enterprise to use or administer the proceeds of the ICF Financing upon failure by the ICF Enterprise to perform its obligations under the ICF Agreement; and
- (i) the ICF Enterprise shall promptly inform the Recipient and the Bank of any condition which interferes or threatens to interfere with the progress of its activities, or the performance by it of its obligations under the ICF Agreement.

5. The Recipient shall, through the Palestinian Authority, cause the PIA to carry out its obligations and exercise its rights under each ICF Agreement, in such a manner as to protect the interests of the PIA and the Bank and to accomplish the purposes of the ICF Financing, and except as the Bank shall otherwise agree in writing.
6. The Recipient shall, through the Palestinian Authority, cause the PIA not to assign, amend, abrogate or waive any ICF Agreement or any provision thereof.
7. If the Bank determines at any time that an amount of the ICF Financing was used to make a payment for an Excluded Expenditure, the ICF Enterprise shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled

G. Mid-Term Review and Completion Report

1. Not later than twenty-four (24) months after the Effective Date, or by such other date as may be agreed by the Bank, the Recipient shall undertake in conjunction with the Bank and the PIA, a comprehensive mid-term review of the Project, during which it shall exchange views with the 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.
2. Not later than one (1) month prior to the mid-term review referred to in paragraph above, the Recipient, through the Palestinian Authority, shall cause the PIA to furnish to the Bank for comments, a report, in such detail as the Bank shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.
3. 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 Bank to further the objective of the Project.
4. The Recipient, through the Palestinian Authority, shall cause the Ministry of Finance 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 Bank not later than six (6) months after the Closing Date.

H. Annual Work Plans and Budgets

1. The Recipient shall cause the PIA that during the first 45 days of 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 the PIA 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. The PIA may revise Annual Work Plans and Budgets as needed during Project implementation subject to the Bank’s prior written approval.

I. Environmental and Social Standards

1. The Recipient, through the Palestinian Authority, shall and shall cause the PIA, through the Implementation 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 the PIA, through the Implementation 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 the PIA, through the Implementation 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 the PIA, through the Implementation 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through Palestinian Authority, shall cause the PIA 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (Inclusive of Taxes) *
(1) DIB Payments under Part 1 of the Project	6,000,000	100%
(2) ICF Financing under Part 2.1 of the Project, and goods, non-consulting services, consultants' services, Training, Operating Costs and Management Fee under Parts 1, 2.2 and 3 of the Project	9,000,000	100%
TOTAL AMOUNT	15,000,000	

*percentages of disbursements will be allocated following the specifications included in the Work Plans

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; and

- (b) with respect to each DIB Payment under Category 1, unless an Independent Verification Agent confirms, in writing: (i) Outputs and Outcomes that have been achieved; and (ii) the amount of DIB Payments due, based on the value assigned to the Outputs and Outcomes Tariffs and agreed upon in the Performance and Funding Agreement. Such confirmation will be subject to Bank's prior approval.

2. The Closing Date is December 22nd, 2028.

APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means the annual work plan and budget as prepared by the PIA 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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Beneficiary” means:(i) individuals benefitting from training, employment services and job creation; and (ii) private-sector enterprises and non-governmental organizations, which meets the selection criteria set out in the Project Operations Manual; and “Beneficiaries” means, collectively, all such Beneficiaries.
5. “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 Bank makes repayments to investors, with payments linked to results achieved.
6. “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.
7. “DIB SPV” means the special purpose vehicle (SPV) 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.
8. “DIB Payment” means the payment made by the Bank to DIB Investors pursuant to the procedures outlined in the POM, after a verified achievement of the previously agreed upon Outcomes and Outputs.
9. “DIB Service Provider” means a physical or legal person selected to perform services aimed at meeting the Outputs and Outcomes, pursuant to Section I.H.1.(b) of Schedule 2 to this Agreement.

10. “Environmental and Social Commitment Plan” or “ESCP” means the Recipient’s environmental and social commitment plan, acceptable to the Bank, dated May 25, 2023 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.
11. “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.
12. “Funding and Performance Agreement” means the agreement referred to in Section I.C.2 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 Bank.
13. “F4J I & II” means the Financing for Jobs Project I, with grant agreement signed on March 10, 2016 and Financing for Jobs II, with grant agreement signed on September 27th, 2017, financed by the Bank.
14. “ICF Agreement” means the agreement referred to in Section I, Part J of Schedule 2 of this Agreement.
15. “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.
16. “ICF Financing” means a payment made out of the proceeds of the Grant to a ICF sub-project pursuant to Part 2 of the Project.

17. “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.
18. “Independent Verification Agent” means the agent selected by the PIA for the Finance for Jobs II Project with grant agreement signed on September 27th, 2017, as referred to in Section I.I of Schedule 2 to this Agreement, or any other agent selected by the PIA as agreed with the Association.
19. “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.
20. “Legal Instrument(s)” means the legal instrument(s) through which the PIA and/or SPV have been established and are operating.
21. “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 Bank, as such budget may be updated from time to time by agreement between the PIA and the Bank.
22. “Implementation Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement, entered on November 20, 2016 for the Finance for Jobs I Project and amended for Finance for Jobs II, between the Palestinian Authority, by and through the Ministry of Finance, and the Project Implementation Agency, as the same may be amended from time to time; and such term includes any schedules or annexes thereto.
23. “MoF” means the Recipients’ Ministry of Finance or any successor thereof.
24. “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 Bank but excluding salaries of officials and employees of the Recipient.

25. “Outputs and Outcomes” means results achieved out of the interventions undertaken under Part 1 of the Project, which include, inter alia, soft skills training, vocational training, sector-specific training and other employment services, as well as placement into employment; and sustained employment for a minimum duration.
26. “Outputs and Outcomes Tariffs” means methodology, acceptable to the Bank, establishing the contractual metrics and their values against which DIB Payments are made to DIB Investors following achievement of previously agreed upon Outcomes and Outputs, as confirmed by the Independent Verification Agent, all described in Section I.B.1(b) of Schedule 2 to this Agreement and in the POM.
27. “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.
28. “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.
29. “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.
30. “Project Operational Manual” or “POM” means the manual adopted for the Finance for Jobs II Project with grant agreement signed on September 27th, 2017, referred to in Section I.E 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.
31. “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.
32. “Special Purpose Vehicle” or “SPV” means a holding entity established by the DIB Investors for the purpose of pooling DIB Investors’ capital to provide up-front financing for the DIB under Part 1 of the Project.

33. “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.
34. “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.
35. “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).

