

CONFORMED COPY

GRANT NUMBER TF096990

Danish Trust Fund Project Agreement

(Emergency Municipal Service Rehabilitation II Project)

between

**INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Danish Trust Fund for ESMRP II)**

and

THE MUNICIPAL DEVELOPMENT AND LENDING FUND

Dated June 10, 2010

GRANT NUMBER TF096990

DANISH TRUST FUND GRANT PROJECT AGREEMENT

AGREEMENT, dated June 10, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Trust Fund provided by the Government of the Kingdom of Denmark (“Donor”) for the Second Emergency Municipal Service Rehabilitation Project and the MUNICIPAL DEVELOPMENT AND LENDING FUND established pursuant to the PLO’s Decree of the Council of Ministers No. 05/34/mim.waw.alf.qaf of 2005 (the “Project Implementing Entity”) (the “Project Agreement”) in connection with the Trust Fund Grant Agreement of same date between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the “Recipient”) and the Association (the “Grant Agreement”). The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

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

ARTICLE II - PROJECT

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

ARTICLE III – EFFECTIVENESS; TERMINATION

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

ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Executive Director of the Municipal Development and Lending Fund.

4.02. The World Bank's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Municipal Development and Lending Fund (MDLF)
Rashmawi Building, Al-Yasmin St.
Al-Bireh, West Bank

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Trust Fund for Gaza and West Bank)

/s/ Mariam J. Sherman

Authorized Representative

MUNICIPAL DEVELOPMENT AND LENDING FUND

/s/ Khaled Qawasmi

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

A. Project Manuals and Plans

1. The Project Implementing Entity shall ensure that the Project will be carried out in accordance with this Agreement, the On-Granting Agreement, the Project Operational Manual, the Disbursement Plan, the Subsidiary Agreement, the Consultant Report and the Environmental Management Plan.

2. The Project Implementing Entity shall: (i) not amend, suspend, abrogate, repeal or waive any provision of this Agreement, the On-Granting Agreement, the Project Operational Manual, the Disbursement Plan, the Consultant Report and the Environmental Management Plan without prior approval of the World Bank; (ii) take all action, including the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

3. The Project Implementing Entity shall ensure that selection of municipalities and beneficiaries under this Project and the implementation of the Project (as described in Schedule 1 to the Grant Agreement), including all sub-projects, are carried out in accordance with the provisions of the Project Operational Manual, the Anti-Corruption Guidelines and other terms and conditions agreed with the World Bank.

B. Environmental and Social Safeguards

1. The Project Implementing Entity shall ensure that the Project is carried out and implemented in accordance with the applicable provisions of the Environmental Management Plan.

2. The Project Implementing Entity shall ensure that no action is taken which shall prevent or interfere with the carrying out of any activities required under the Environmental Management Plan.

C. Anti-Corruption Guidelines

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

Section II. Financial Management, Project Monitoring, Reporting, and Evaluation

A. Financial Management and Audits

1. The Project Implementing Entity shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Project Implementing Entity shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

B. Project Monitoring, Reporting, and Evaluation

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

2. The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of the Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 2 to the Grant Agreement.