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GRANT NUMBER TF096770

# **Multi-Donor Trust Fund Grant Agreement**

**(Municipal Development Project for the Support of Phase I of the  
Municipal Development Program)**

**between**

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

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of the Multi-Donor Trust Fund for MDP)**

**Dated June 10, 2010**

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**GRANT NUMBER TF096770**

**MULTI-DONOR TRUST FUND GRANT AGREEMENT**

AGREEMENT dated June 10, 2010 entered into between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as administrator of the Multi-Donor Trust Fund for the Municipal Development Project (“Administrator”).

The Recipient and the Administrator hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II  
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall, through the Palestinian Authority, cause the Project to be carried out by the Municipal Development and Lending Fund, established pursuant to the Recipient’s Decree of the Council of Ministers No. 05/34/mim.waw.alf.qaf of 2005 (“Project Implementing Entity” or “MDLF”) in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the Administrator and the Project Implementing Entity, as such agreement may be amended from time to time (“Project Agreement”).
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III  
The Grant**

- 3.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to thirteen million four hundred seventy seven thousand forty two United States Dollars (\$13,477,042) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Administrator receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

**Article IV  
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:
  - (a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.
  - (b) The Project Implementing Entity has failed to perform any obligation under the Project Agreement.
  - (c) IBRD or IDA has declared the Project Implementing Entity 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 Project Implementing Entity 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.
  - (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.

- (e) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- (f) *Event prior to Effectiveness.* The Administrator 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 Administrator 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 Administrator has been furnished to the Administrator that the conditions specified below have been satisfied in a manner and in form and substance satisfactory to the Administrator:
- (a) The execution and delivery of this Agreement on behalf of the Recipient and of the Project Agreement on behalf of the Project Implementing Entity 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.
  - (c) The On-Granting Agreement referred to in Section I.A.1 of Schedule 2 to this Agreement has been executed on behalf of the Palestinian Authority and the Project Implementing Entity.
  - (d) A Procurement Manager with qualifications acceptable to the World Bank has been employed by the Project Implementing Entity.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

- (b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
  - (c) the Subsidiary Agreement referred to in Section I.A of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms; and
  - (d) the On-Granting Agreement referred to in Section I.A of Schedule 2 to this Agreement has been duly authorized or ratified by the Palestinian Authority and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator 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 Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Administrator 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. *Termination for Failure to Become Effective.* 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 Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient’s Representative; Addresses**

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority.

- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance of the Palestinian Authority  
Ramallah  
West Bank

Telephone:

970-2-297 8846

Facsimile:

970-2-297 8845

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

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

Cable:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

1-202-477-6391

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

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

/s/ Salam Fayyad

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of the Multi-Donor Trust Fund for MDP)

/s/ Mariam Sherman

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support phase I of the Municipal Development Program aimed at improving municipal management practices for better transparency.

The Project consists of the following parts:

#### **Part 1: Municipal Grants for Capital Investment**

Sub-grants for Eligible Municipalities in the West Bank and Gaza for Sub-projects to fund investments for delivery of services in the sectors set out in the Operational Manual, all as selected and carried out in accordance with the Operational Manual and the Grant Allocation Manual.

#### **Part 2: Support to Municipal Innovations and Efficiency**

1. Strengthening newly amalgamated local governments through small scale infrastructure improvements works and capacity building services and training.
2. Supporting activities to: (a) promote increased energy efficiency in municipalities; and (b) support existing customer service centers and establish pilots of new customer service centers at selected municipalities to create comprehensive citizen-responsive services and enhance revenue generation and planning capabilities of municipalities, through the financing of goods, works, training and services.

#### **Part 3: Capacity Building for Municipalities and the MDLF**

1. Capacity building, Training and financing of small rehabilitation works for municipalities in the West Bank and Gaza selected in accordance with criteria set forth in the Operational Manual and Grant Allocation Manual, including in the areas of financial management, support to the development of strategic development and investment plans, and technical assistance to improve overall management capacity.
2. Capacity building and Training to the Project Implementing Entity for the implementation of the Municipal Development Program, including in the areas of human resources development and institutional capacity building, in accordance with annual capacity development plans submitted by the Project Implementing Entity and approved by the Administrator.

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

1. Project implementation support through the funding of: (a) MDLF Management Fee (including the cost of financial audit fees); (b) costs of monitoring and evaluation, including the cost of technical and institutional compliance audit fees and the cost of

carrying out satisfaction surveys of citizens and client municipalities; and (c) the design and implementation of an outreach and communications campaign in relation to the Municipal Development Program.

2. Sub-project implementation support through the financing of Local Technical Consultants.



**SCHEDULE 2****Project Execution****Section I. Implementation 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 the Administrator, which shall include the following:

(a) The Palestinian Authority shall on-grant the proceeds of the Grant to the Project Implementing Entity under an on-granting agreement (“On-Granting Agreement”) to be entered into between the Palestinian Authority and the Project Implementing Entity, under terms and conditions approved by the Administrator; and

(b) The Palestinian Authority shall: (i) perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority set forth in the Subsidiary Agreement; (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.

2. The Recipient shall exercise its rights under the Subsidiary Agreement, and shall cause the Palestinian Authority to exercise its rights under the On-Granting Agreement, in such manner as to protect the interests of the Recipient, the Palestinian Authority and the Administrator and to accomplish the purposes of the Grant. Except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions and the Recipient shall cause the Palestinian Authority not to assign, amend, abrogate or waive the On-Granting Agreement or any of its provisions.

3. The Recipient shall cause the Palestinian Authority to ensure under the On-Granting Agreement that the Project Implementing Entity:

(a) exercises its rights under each Grant Implementation Agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant; and

(b) does not assign, amend, abrogate or waive any Grant Implementation Agreement or any of its provisions, except as the Recipient and the Administrator shall otherwise agree.

**B. Institutional and other Arrangements**

1. The Recipient shall cause the Project Implementing Entity to maintain overall responsibility for the Project, including preparation of Annual Plans and adequate compliance with the Administrator's fiduciary requirements and to maintain for the duration of the Project adequate capability, form and functions, staffing and resources satisfactory to the Administrator.

2. The Recipient shall cause the Project Implementing Entity (a) to carry out the Project in accordance with the Project Agreement, the Operational Manual, the Grant Allocation Manual, and the Environmental Management Plan; (b) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project; (c) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project; and (d) not to amend, suspend, abrogate, repeal, waive or assign any provision of the Project Agreement, the Environmental Management Plan, any site-specific environmental and safeguards guidelines and documents prepared under the Project, the Operational Manual or the Grant Allocation Manual without prior approval of the Administrator.

3. The Recipient shall ensure that the Project Implementing Entity finances the Recurrent Expenditures only in accordance with the transaction, control and clearance processes and the procedural mechanisms set out in the Operational Manual.

**C. Safeguards**

1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Environmental Management Plan and any site-specific environmental and safeguards guidelines and documents required to be prepared under the Project and to ensure the satisfaction of any and all applicable requirements for the preparation, disclosure and implementation of any site-specific environmental and social impact assessments or site-specific environmental management plans, in accordance with the Environmental Management Plan, in relation to any investment or Sub-project necessitating an environmental and social impact assessment or site-specific environmental management plan.

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

3. The Recipient shall ensure that the Project Implementing Entity does not: (a) approve Investments; or (b) award Sub-grants for Sub-projects that are ineligible to be financed out of the proceeds of the Grant according to the restrictions set forth in the Operational Manual, the Grant Allocation Manual, the Environmental Management Plan, or this Agreement, including, but not limited to:

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

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

#### **D. Anti-Corruption**

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

#### **E. Sub-projects and Investments**

1. The Recipient shall cause the Project Implementing Entity, through the Palestinian Authority, to award Investments and Sub-grants in accordance with the criteria and procedures set forth in the Operational Manual and the Grant Allocation Manual and to review, appraise and select proposals and supervise implementation, all in accordance with the Operational Manual, the Grant Allocation Manual, the Environmental Management Plan and the respective Grant Implementation Agreement.

2. Each Sub-grant shall be awarded under a Grant Implementation Agreement with the respective municipality on terms and conditions approved by the Administrator, which shall include the following, namely that the Recipient shall obtain rights adequate to protect its interests and those of the Administrator, including the right to:

(a) suspend or terminate the right of a municipality to benefit from the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then disbursed, upon that municipality's failure to perform any of its obligations under the Grant Implementation Agreement; and

(b) require each respective municipality to: (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Administrator, including in accordance with the provisions of the 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 Sub-grant in accordance with the provisions of this Agreement; (iv) maintain policies and procedures adequate to enable it to monitor and evaluate in

accordance with indicators acceptable to the Administrator, the progress of the Sub-grant and the achievement of its objectives; (v) enable the Recipient and the Administrator to inspect the Sub-project, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient, and the Administrator all such information as the Recipient or the Administrator shall reasonably request relating to the foregoing.

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

### **A. Project Reports; Completion Report**

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

2. In addition to the interim Project Reports referred to in paragraph (1) above:

(a) the Recipient shall cause the Project Implementing Entity to prepare cumulative annual Project Reports at the end of each calendar year. Such cumulative annual Project Reports should be prepared in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the Administrator and shall include a report on the performance of the Annual Plan for the preceding calendar year. Each such cumulative annual Project Report shall cover the period of the preceding twelve (12) months and shall be furnished to the Administrator not later than sixty (60) days after the end of the period covered by such report; and

(b) the cumulative annual Project Reports referred to in paragraph (a) above, shall include an Annual Plan for the following calendar year, for review and approval by the Administrator, including indicative amounts needed to implement the activities under the respective Annual Plan, prepared in accordance with the format included in the Operational Manual, and the Project Implementing Entity shall agree with the Administrator on steps to be taken in the following calendar year.

3. The Recipient shall cause the Project Implementing Entity to jointly undertake with the Administrator a review of the Project activities based on the report referred to in paragraph 2 above.

4. The Recipient shall cause the Project Implementing Entity 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 Administrator not later than six (6) months after the Closing Date.

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

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

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the Administrator not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the Administrator. Prior to submission of such unaudited financial reports, the unaudited financial reports shall have been reviewed by an independent auditor acceptable to the Administrator.

3. The Recipient shall cause the Project Implementing Entity to 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 Administrator not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the World Bank in May 2004 and revised in October 2006 ("Procurement Guidelines") in the case of goods and works, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 ("Consultant Guidelines") in the case of consultants' services; and

(b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Administrator of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for procurement of goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting
(d) Community Participation, following the procedures detailed in the Operations Manual

The procedures to be followed for National Competitive Bidding under this paragraph shall include the following additional procedures:

- (i) public enterprises in parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Palestinian Authority;
- (ii) foreign bidders shall be eligible to participate under the same conditions as local bidders. In particular, no preference over foreign bidders shall be granted to local bidders in bid evaluation;
- (iii) invitations to bid shall be advertised on at least two (2) consecutive days in a local newspaper of wide circulation, and prospective bidders shall be allowed a minimum of thirty (30) days between the date on which the notification appears for the first time and the deadline for bid submission. With the specific approval of the World Bank, this minimum period of thirty (30)

days may be reduced to a minimum period of ten (10) days in the case of emergency operations;

- (iv) qualification criteria shall be clearly specified in the bidding documents, and *all* criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. The fact that a bidder meets or surpasses the specified qualification criteria shall not be taken into account in the evaluation of such bidder's bid;
- (v) evaluation criteria shall be clearly specified in the bidding documents, and all evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and *only* criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation;
- (vi) if classification of contractors is required, contractors that have not yet been classified but meet the required qualifications shall be enabled to obtain the necessary classification during the bidding procedures. Any contractor that has been classified in a class higher than the lowest class shall not be restricted to bidding in his own class but shall be eligible also to bid in any lower class;
- (vii) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;
- (viii) bids shall be opened in the presence of bidders who wish to attend, and immediately after the deadline for bid submission. Said deadline, and the place of bid opening, shall be announced in the invitation to bid. The name of each bidder, and the amount of his bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be signed by the members of the bid opening committee immediately after bid opening;
- (ix) bids received after the deadline for bid submission shall be returned to the bidders unopened;
- (x) a bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened;

- (xi) the bid evaluation shall be carried out in strict adherence to the criteria specified in the bidding documents, and the contract shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid;
- (xii) a bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify his bid as originally submitted;
- (xiii) there shall be no post-bidding negotiations with the lowest or any other bidder; and
- (xiv) until standard bidding documents acceptable to the World Bank have been introduced by the Recipient, the standard bidding documents of the World Bank shall be used.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) Individual Consultants



**D. Review by the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Section IV. 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) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Sub-grants under Part 1 of the Project	10,532,466	100%
(2) Goods, works, consultants' services, and Training under Part 2 of the Project	999,705	100%
(3) Consultants' services, works, goods and Training under Part 3 of the Project	585,001	100%
(4) (a) Consultants' services and goods under Part 4 of the Project	418,927	100%
(b) MDLF Management Fee (including financial audit)	940,943	
<b>TOTAL AMOUNT</b>	<b>13,477,042</b>	<b>100%</b>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2013.

**APPENDIX****Section I. Definitions**

1. “Annual Plan” means each list of annual activities supported by the Project, including a budget setting out the cost estimates for such activities, prepared by the Recipient through the Project Implementing Entity and agreed between the Recipient and the Administrator pursuant to Section I.B.5 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Eligible Municipalities” means municipalities eligible to receive Sub-grants in accordance with the grant allocation mechanism of the Municipal Development Program and with the general criteria and provisions, as set forth in the Operational Manual and the Grant Allocation Manual.
6. “Environmental Management Plan” means the Recipient’s environmental management plan dated July 12, 2009, for the Project, as such plan may be updated from time to time by agreement between the Recipient and the Administrator, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental or social impacts to levels acceptable to the Administrator, and setting forth policies and procedures for environmental screening of Sub-projects, for conducting environmental and social assessments and specifying requirements for environmental and social mitigation measures to be included, as necessary, in site-specific environmental management plans.
7. “Grant Allocation Manual” means the Project Implementing Entity’s manual dated February 1, 2009, satisfactory to the Administrator, defining and describing the grant allocation mechanisms to be used for the Municipal Development Program.
8. “Grant Implementation Agreement” means a grant implementation agreement to be entered into between the Project Implementing Entity and each Eligible Municipality in relation to each Sub-Project, the format of which is set out in the

Operational Manual, describing the duties and responsibilities of each party, operations and maintenance and the time-frame for completion of each Sub-project, and including a simplified procurement plan for such Sub-project, as such format may be amended from time to time by agreement between the Recipient and the Administrator.

9. “Investment” means a small scale infrastructure investments for selected amalgamated local governments and selected municipalities under Part 2 of the Project, as selected in accordance with the Operational Manual.
10. “MDLF Management Fee” means a fee for the administration expenses incurred by the Project Implementing Entity in relation to the Project, as determined and defined in the detailed budget dated June 4, 2009, setting out an analysis of, and calculation for, the MDLF Management Fee, acceptable to the Administrator, as such budget may be updated from time to time by agreement between the Project Implementing Entity and the Administrator.
11. “Ministry of Finance” means the Ministry of Finance of the Palestinian Authority and includes any successor thereto.
12. “Municipal Development Program” means the Municipal Development Program developed by the Palestinian Authority and the MDLF and adopted by the board of directors of the MDLF in October 2008, to implement the PRDP’s goals for local development and strengthening local government.
13. “On-Granting Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Palestinian Authority shall make the proceeds of the Grant available to Project Implementing Entity.
14. “Operational Manual” means the Project Implementing Entity’s manual dated January 25, 2010, describing: (i) procedures for implementation of the Project, consistent with the provisions of this Agreement and with applicable laws and regulations and including, among other things; (ii) procedures governing administrative, procurement, accounting, financial management, including adequate measures for procurement and forensic audits, financial reporting, accounting, annual reports and internal and external audit arrangements procedures, complaint mechanisms in case of misuse of the proceeds of the Grant, and monitoring and evaluation arrangements; (iii) sample formats for periodic reports as the same may be amended from time to time with the agreement of the World Bank; (iv) procedures and arrangements for cost sharing; (v) eligibility criteria for investments and Sub-grants under the Project; (vi) sample format of the Grant Implementation Agreement; and (vii) other institutional arrangements for carrying out the Project, as the same may be amended from time to time by agreement between the Administrator.

15. “PRDP” means the Palestinian Reform and Development Plan (PRDP 2008-2010) prepared by the Palestinian Authority and dated December 17, 2007.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Administrator in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated March 23, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “Project Implementing Entity” means the Municipal Development and Lending Fund, established pursuant to the Project Implementing Entity’s Legislation.
19. “Project Implementing Entity’s Legislation” means the Recipient’s Decree of the Council of Ministers No. 05/34/mim.waw.alf.qaf of 2005 pursuant to which the Project Implementing Entity has been established and is operating.
20. “Recurrent Expenditures” means recurrent expenditures of Eligible Municipalities in Gaza on account of the cost of 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; fuel to run electric generators and water and wastewater pumps; collecting and dumping solid waste in legally permissible areas; carrying out laboratory tests; the cost of maintaining and operating municipal service vehicles; equipment spare parts; vehicle insurance; maintaining electromechanical and IT equipment; carrying out advertisements under the Procurement Plan or the Procurement Guidelines, regarding the procurement of goods and works; office supplies; public awareness related to increasing municipal revenues; the cost of communications; renting service vehicles; and salaries of contractual staff or workers, but excluding salaries of officials of the Recipient’s civil service and municipal civil servants, all directly related to the provision of essential municipal services.
21. “Sub-grants” means grants for financing goods, works and services for Sub-projects under Part 1 of the Project and Recurrent Expenditures, to be provided to Eligible Municipalities according to procedures and criteria set forth in the Operational Manual and the Grant Allocation Manual.
22. “Sub-projects” means investments financed with Sub-grants as selected, prepared, processed and implemented as set forth in the Operational Manual.

23. “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.
24. “Training” means training activities (other than consultants’ services) to be carried out under the Project, as approved by the Administrator, including reasonable and necessary local and international travel expenses incurred by participants in training seminars, workshops and study tours, as well as reasonable lodging, subsistence, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, reasonable facility rental costs, and other expenditures directly relating to the training workshop and the study tour activity, as may be agreed with the Administrator.

## **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 World Bank to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Grant; and

(b) enable the World Bank’s representatives: (i) to visit any facilities and sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Grant, and any documents relevant to the performance of its obligations under the Grant Agreement.”

2. Sub-section (a) of Section 3.07 is amended to read as follows:

“Section 3.07. *Financing Taxes*.

(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.”

3. Sub-sections (a) and (h) of Section 4.02 are deleted, and consequently, Sub-sections (b) through (k) are re-lettered as Sub-sections (a) through (i).

4. Re-lettered Sub-section (b) of Section 4.02 is amended to read as follows:

“(b) *Fraud and Corruption.* At any time, the World Bank determines that any representative of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of any of the proceeds of the Grant) has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority or any other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

5. Re-lettered Sub-section (c) of Section 4.02 is amended to read as follows:

“(c) *Cross Suspension.* IBRD or IDA has suspended in whole or in part the right of the Recipient or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient, or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.”

6. Re-lettered Sub-section (f) of Section 4.02 is amended to read as follows:

“(f) *Assignment of Obligations; Disposition of Assets.* The Recipient or any other entity responsible for implementing any part of the Project has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Recipient (or such other entity).”

7. Re-lettered Sub-section (g) of Section 4.02 is amended to read as follows:

“(g) *Condition of Recipient.* If the Grant has been made to a Recipient which is not a member of IBRD:

- (i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Project).
- (ii) The Recipient (or any other entity responsible for implementing any part of the Project) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.
- (iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or any other entity responsible for implementing any part of the Project) has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.”

8. Re-lettered Sub-section (h) of Section 4.02 is amended to read as follows:

“(h) *Ineligibility.* IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA.”

9. Sub-section (c) of Section 4.03 is amended to read as follows:

“(c) *Fraud and Corruption.* At any time, the World Bank determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of the proceeds of the Grant) without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any such other recipient of the proceeds of the Grant) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

10. Sub-section (a) of Section 4.05 is amended to read as follows:

“(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient,



promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation:

- (i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or
- (ii) (A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other recipient of such amount of the Grant), in either case without the Recipient (or such agency thereof or such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

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

“(j) If, within thirty (30) days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.”

12. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).