H.E. Mr. Shukry Bishara  
Minister of Finance  
Ministry of Finance  
Palestinian National Authority  
Ramallah  
West Bank and Gaza

Re: West Bank and Gaza: Third Municipal Development Project
TFGWB Grant No. TFOA4800  
PID MDTF Grant No. TF0A6154  
PID-MDTF Grant No. TF0B0101  
Amendment to the Grant Agreements

Excellency:

I refer to: (i) the Grant Agreement between the International Development Association (“World Bank”), as administrator of the Trust Fund for Gaza and West Bank (TFGWB), and Palestine Liberation Organization (“Recipient”) (for the benefit of the Palestinian Authority) for the above-referenced Project, dated September 18, 2017; (ii) the Grant Agreement between the International Bank for Reconstruction and Development and International Development Association acting as administrator of the Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF) and the Recipient, dated November 27, 2017; and (iii) the Grant Agreement between the International Bank for Reconstruction and Development and International Development Association acting as administrator of the Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF) and the Recipient for an Additional Finance for the above-referenced Project, dated June 17, 2019 (each the “Agreement”, together the “Agreements”).

Please note that the capitalized terms used in this letter (“Amendment Letter”) and not defined herein have the meanings ascribed to them in the Agreements.

We received your letter dated April 02, 2020, requesting the amendment of the Grant Agreements to allow the Projects to support the Palestinian Authority’s emergency plan to address the pandemic caused by the COVID-19 at the Local Government Sector, specifically at the Local Government Unit (LGU) level. The World Bank is pleased to accept such request and proposes to amend the Agreements as follows:

1. A new component 5 is introduced to Schedule 1 to the TFGWB Grant Agreement, to read as follows:

   “Part 5: Contingency Emergency Response
   Provision of immediate response to an Eligible Crisis or Emergency, as needed.”
A new section I.G is introduced in Schedule 2 to the TFGWB Grant Agreement to read in its entirety as follows:

“G. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Emergency Response Part"), the Recipient, through the Palestinian Authority, shall:

   (a) prepare and furnish to the Bank for its review and approval, a Contingency Emergency Response Manual ("CER Manual") which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any additional institutional structures or arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management arrangements and instruments for the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

   (b) afford the Bank a reasonable opportunity to review the proposed CER Manual;

   (c) promptly adopt the CER Manual for the Emergency Response Part as accepted by the Bank;

   (d) ensure that the Emergency Response Part is carried out in accordance with the CER Manual; provided, however, that in the event of any inconsistency between the provisions of the CER Manual and this Agreement, the provisions of this Agreement shall prevail; and

   (e) not amend, suspend, abrogate, repeal or waive any provision of the CER Manual without the prior written approval by the Bank.

2. The Recipient, through the Palestinian Authority shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in accordance with the CER Manual, with adequate staff and resources satisfactory to the Bank.

3. The Recipient, through the Palestinian Authority, shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:

   (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Bank has agreed with such determination, accepted said request and notified the Recipient thereof; and

   (b) the Recipient has ensured the preparation and disclosure of all safeguard instruments as may be required for said activities in accordance with the CER Manual, the
Bank has approved all said instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.”

3. A new disbursement category is hereby introduced on the table included under Section IV of Schedule 2 to the TFGWB Grant Agreement to read “Emergency Expenditures under Part 5 of the Project” with an initial allocation of zero Dollars. Said table is therefore replaced by the table included as Annex 1 to this Amendment Letter.

4. A new disbursement condition 1.(c) is included in Section IV.B of Schedule 2 to the TFGWB Grant Agreement (Withdrawal Conditions; Withdrawal Period), to read in its entirety as follows:

“(c) For Emergency Expenditures under Category (5), unless and until the Bank is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:

(i) the Recipient, through the Palestinian Authority, has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Bank a request to include the proposed activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Bank has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has ensured that all safeguard instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.G. of this Schedule;

(iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.G of this Schedule, for the purposes of said activities; and

(iv) the Recipient has adopted the CER Manual, in form and substance acceptable to the Bank, and the provisions of the CER Manual remain - or have been updated in accordance with the provisions of Section I.G of this Schedule so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.”

5. The Definition of Recurrent Expenditures, included in Section I to the Appendix to the Agreements is replaced in its entirety in each of the Agreements to read as follows:

“20. “Recurrent Expenditures” means recurrent expenditures up to 20% for Eligible Municipalities in West Bank and 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; 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, regarding the procurement of goods and works; office supplies; public awareness related to increasing municipal revenues; the cost of communications; renting service vehicles; provision of equipment and supplies to combat the spread of the COVID-19 virus, all directly related to the provision of essential municipal services.”
6. The following new definitions are introduced in Section I of the Appendix of the TFGWB Grant Agreement, and therefore, Section I of the appendix is rearranged to accommodate alphabetically, the new definitions set forth below:


2. “Contingency Emergency Response Manual” and the acronym “CER Manual” means the manual referred to in Section I.G of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part, in accordance with the provisions of said Section.


4. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part I.G. of the Project.

All the terms and conditions of the Agreements that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing amendment, on behalf of the Recipient, by signing, dating and returning to the World Bank the enclosed copy of this Amendment Letter. This Amendment Letter shall become effective as of the date of its countersignature upon receipt by the World Bank of a countersigned copy of this Amendment Letter.

Yours sincerely,

Kanthan Shankar
Country Director for West Bank and Gaza
Middle East and North Africa Region

AGREED:

WEST BANK AND GAZA

By: ____________________________

Name: Shukry Bishara
Title: Minister of Finance
Date: 10/5/2020
ANNEX 1
(Disbursement Table for the TFGWB Grant Agreement)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Part 1 of the Project</td>
<td>13,311,702</td>
<td>100%*</td>
</tr>
<tr>
<td>(2) Goods, Training, consulting and non-consulting services under Part 2 of the Project</td>
<td>531,915</td>
<td>100%*</td>
</tr>
<tr>
<td>(3) Goods, Training, consulting and non-consulting services under Part 3(a) of the Project</td>
<td>930,000</td>
<td>100%*</td>
</tr>
<tr>
<td>(4) Training, MDLF Management Fee, goods and consulting services under Part 4 of the Project</td>
<td>1,226,383</td>
<td>100%*</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part 5 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>16,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

* The Administrator will finance 100% of the Eligible Expenditures preapproved in the Biennial Work Plan and Budget.