Executive Board

Report to the President

Proposed grant

Palestine

Rural Financial Inclusion Project in Palestine

Project ID: 2000004952

Document: EB 2024/DoA/3

Date: 10 September 2024

Distribution: Public

Action: According to the delegation of authority procedure approved by the Executive Board at its 126th session and detailed in document EB 2019/126/R.48/Rev.2, the President is invited to approve the recommendation contained in paragraph 55. This proposal is posted for Executive Board representatives' review no later than 14 days prior to approval by the President. In the absence of a request from an Executive Board representative for the proposal to be submitted at the forthcoming session of the Board, it will be considered approved by the President.

Technical questions:

Dina Saleh
Regional Director
Near East North Africa
e-mail: d.saleh@ifad.org

Christa Ketting
Country Director ad interim
Near East North Africa
e-mail: c.ketting@ifad.org

Contents

Project delivery team	
Regional Director:	Dina Saleh
Country Director ad interim:	Christa Ketting
Technical Lead:	James Marc de Sousa-Shields
Finance Officer:	Federico Rossetti
Climate and Environment Specialist:	Walid Nasr
Legal Officer:	Aspasia Tsekeri

Map of the project area

IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 23-07-2024

Financing summary

Initiating institution:	IFAD
Recipient:	Palestinian Authority
Executing agency:	Ministry of Finance
Total project cost:	US$27.18 million
IFAD financing through the FGWB:	US$2.0 million
Amount of cofinancing through the FGWB:	European Union: US$10.52 million Spanish Agency for International Development: US$0.45 million
Terms of cofinancing:	Grant
Contribution of borrower/recipient:	US$1.51 million
Contribution of beneficiaries:	US$3.17 million
Financing gap:	US$9.53 million
Amount of IFAD climate finance:	US$0 million
Cooperating institution:	IFAD

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Palestinian People have had to face multiple hardships which they often confronted with high capacity of resilience. However, in more recent years, a further deteriorating trend was witnessed due to the COVID19 pandemic. While there were early signs of economic recovery in the West Bank, the events of 7 October 2023 have had a significant impact on the economy. In the current context, the outlook is uncertain as sustainable sources of growth remain limited. Two promising avenues for recovery in the West Bank are agriculture and the micro and small-enterprise sectors (MSEs). A joint EU, WB and UN Interim Damage Assessment indicates that as of 9 March 2024, the conflict has inflicted an estimated US$629 million in damages on Gaza's agriculture sector. Once a ceasefire and early recovery activities (such as clearing of rubble and land rehabilitation) take place, it will be of vital importance to restore agricultural value chains for food security and job creation.

2. Agriculture remains an important sector in the economy with 13.4% of the population formally employed. In the West Bank, IFAD experienced an increased demand for project funds for agricultural development after the events of 7 October 2023. This is likely due to over 300,000 employment opportunities being lost for Palestinians from the West Bank.

3. Agricultural MSEs in the West Bank have the potential to grow and offer employment especially in the current context. Food prices sky-rocketed in the West Bank, creating additional incentives to produce and source locally However, access to finance remains limited in the West Bank. There are some key barriers, which limit access to finance, which in turn limits the opportunities available to smallholder farmers and micro-small and medium entrepreneurs for growth and diversification.

4. Access to finance can unlock the potential for these two sectors, which can have an important impact on creating employment and increasing productive opportunities for rural growth and development. The Palestinian inclusive financial sector is relatively vibrant but with limited outreach and service to rural areas, particularly for agricultural production and micro and small enterprises, but also in terms of financial services in general.

Special aspects relating to IFAD’s corporate mainstreaming priorities

5. **Gender.** Women in Palestine face significant challenges that hinder their full participation in agriculture. These challenges include limited access to land, financial resources, and extension services, as well as a lack of public investment that considers the needs of women. Additionally, the burden of unpaid care work disproportionately falls on women, further limiting their capacity to engage in formal labor markets. Addressing these issues is crucial for achieving gender equality and empowering women in rural areas of Palestine.[1]

6. **Youth.** Youth (aged 15-29) comprise one third of the Palestinian society, of the 4.8 million population.[2] Although generally well educated[3,] unemployment rates for youth are among the highest in the MENA region, at 48.3% in 2022 (34.3% young men and 6.7% young women).[4] The International Labour Organisation predicts these numbers will grow even higher. The closure of the labor market in Israel following the events of 7 October 2023 has exacerbated these issues, leaving many

---

[1] Palestinian Agricultural Relief Committee (n.d.). Delivering women farmer’s rights.
[2] UNFPA. Youth in Palestine: Policy and Program Recommendations to address demographic risks and opportunities. October 2017.
[3] Ibid.
[4] Palestinian Central Bureau of Statistics (2022). Retrieved from: https://www.pcbs.gov.ps/post.aspx?lang=en&ItemID=4421

without employment opportunities. Financial inclusion remains low hindered by barriers such as inadequate financial literacy, lack of tailored financial products and restrictive legal conditions. Youth lack information about opportunities, innovation, and the potential for value addition in agriculture.[5] Addressing these multifaceted challenges requires innovative solutions to stimulate economic opportunities within the local context, particularly in sectors like agriculture, which holds untapped potential for value addition and youth engagement.

7. **Nutrition.** Even before the events of 7 October 2023, food insecurity in Palestine affected nearly a third of the population and is driven by high poverty and unemployment rates. This number is projected to have increased significantly in the West Bank whilst Gaza is facing an acute hunger situation. Palestinians are facing the double burden of malnutrition and a high level of micronutrient deficiencies and increasing obesity rates. The nutrition situation is caused by poverty, food insecurity, on the one hand and poor dietary habits and sedentary lifestyles on the other.[6]

8. **Climate**. The main climate change risks that Palestine faces include (i) temperature increase of 0.013°C/year in the West Bank and 0.012°C/year in Gaza since 1901; (ii) decline in precipitation of 1.5% in West Bank and 0.81% in Gaza between 1981 and 2018; (iii) erratic precipitation and concentration of rainfall in shorter periods with more frequent droughts and flooding events; (iv) sea level rise in Gaza is at 1.5 mm per year; (v) decline in water availability and quality expected to intensify. Climate impacts are predicted to cause increased flooding, prolonged droughts, changes in livestock viability and crops, and the introduction of new pests, pathogens, and invasive species.[7]

Rationale for IFAD involvement

9. The Palestinian Authority requested IFAD, the European Union (the "EU") and Spanish Agency for Development (AECID) to assist in developing access to financial services for economic recovery at a time characterized by instability. IFAD will use its well-tested strategies to address the root causes of fragility and increase resilience of the stakeholders to improve the competitiveness of the agricultural sector, increase financial inclusion and build the evidence base to facilitate decision-making by policy makers. IFAD will invest in helping key sector institutions formulate an appropriate regulatory framework for financial inclusion in rural areas such as digital innovations, which is in a nascent stage, and remittances as a mechanism for effective use of the inflows for recovery, economic growth and development. RUFIPP will enable IFAD to fulfil its commitment to build resilience, reduce poverty and promote sustainable development in Palestine.

B. Lessons learned

10. Labour market restrictions imposed by Israel further to the events of 7 October 2023 resulted in approximately 200,000 Palestinians losing their jobs overnight in the West Bank. As a result, the IFAD funded RELAP project experienced an increased demand for project support indicating an increased interest in employment opportunities in the agricultural sector.

11. IFAD experience in fragile contexts indicates that access to finance remains of vital importance for livelihood development even in times of crisis. In Sudan and Syria, IFAD supported village level savings and lending mechanisms, have remained operational throughout national crisis.

12. Although the West Bank suffers from increased movement restrictions following the events of 7 October, IFAD has been able to continue project implementation to date. Specifically, there was a large increase in the demand for financial services.

[5] CIRAD (2019). Study on Small-scale Agriculture in the Palestinian Territories.
[6] PCBS. Socio-Economic & Food Security Survey 2018: State of Palestine.
[7] Union of Concerned Scientists, Climate Change and Agriculture: A Perfect Storm in Farm Country (2019).

13. A comprehensive approach to the provision of financial services which works at various tiers of the financial system and provides the borrowers access to finance together with non-financial services that work in complementarity is far more effective and sustainable.

14. Measures to foster financial literacy including well-targeted awareness campaigns can have a significant impact on demand for and access to financial services.

15. The impacts of climate change fall disproportionately on smallholder farmers and other rural poor people and well-designed climate resilient finance can help them to increase the resilience of their production and enterprises, adapt and mitigate climate risks.

16. The scale of unmet financial needs and unrealized business opportunities in rural areas require a diversity of funding sources with different approaches, objectives and risk tolerance levels. This has led to the importance of blended financial instruments that combine low-cost, often subsidized capital with market-rate capital.

17. Strengthening the institutional capacity of FSPs and their understanding of the needs of the agriculture sector and the MSMEs to enable them to make changes to their approach can facilitate the development of appropriate and sustainable financial products for this sector.

II. Project description

A. Objectives, geographical area of intervention and target groups

18. The overall goal of the project is to increase communities' resilience against economic and environmental shocks and improve the livelihoods and food security of poor, and excluded people. The development objective of the RUFIPP is to improve the resilient economic growth and incomes of smallholder farmers and expansion of small holders and rural enterprises through increased uptake of a range of appropriate and sustainable financial products and services.

19. Under the first phase RUFIPP will be implemented in rural areas of the West Bank.[8] The implementing team will be responsible for ensuring that RUFIPP resources will only be used to finance activities in areas which fall under the jurisdiction of the Palestinian Authority. Given the events of October 2023, the implementation activities for RUFIPP will initially focus on the West Bank. Under the second phase, implementation could be expanded to the Gaza strip. Project interventions in the Gaza Strip will be contingent on an assessment to be carried out jointly between IFAD and the PA in agreement with project financiers. In addition to the geographical targeting measures as outlined above, RUFIPP will develop a robust targeting strategy based on a diagnostic study to be completed in the early stages of implementation. Beyond direct targeting, RUFIPP will use self-targeting as well as enabling measures.

B. Components, outcomes and activities

20. The project will have the following components: (i) Inclusive rural finance literacy and awareness raising (ii) Providing inclusive and green rural finance products and services and (iii) Capacity development and strengthening of Rural Finance Institutions, (iv) Project management and Coordination.

21. **Component 1:** Inclusive rural finance literacy and awareness raising is designed to address the low levels of financial literacy and the limited business expertise of smallholder farmers and Micro and Small Enterprises in Palestine. It consists of two

[8] According to the Palestinian Ministry of Local government, rural areas refer to any locality whose population is less than 4 000 persons, or whose population varies from 4 000 to 9 999 persons but lacks: a public electricity network, a public water network, a post office, a health center with a full-time physician, and/or a school offering a general certificate of secondary education

subcomponents: Subcomponent 1.1 Financial literacy programmes for capacity building and Subcomponent 1.2 Financial literacy awareness raising.

22. **Component 2:** Providing inclusive and green rural finance products and services proposes to increase the supply of funding in the system. It consists of two subcomponents: Subcomponent 2.1 – Inclusive and green rural financial product and service innovation challenge fund and Subcomponent 2.2: Innovative Inclusive and Green financing facility.

23. **Component 3:** Capacity development and strengthening of Rural Finance Institutions. This component consists of two subcomponents: Subcomponent 3.1: Capacity development of key financial sector institutions and subcomponent 3.2: Policy Engagement, Advocacy, and Knowledge Generation.

24. **Component 4**: Project Management and Coordination. This component will finance the cost of project management, coordination, and operations as well as the financial management, procurement, knowledge management, monitoring and evaluation of project activities including baseline, midterm and completion surveys and reports.

C. Theory of change

25. The Project's Theory of Change (ToC) is premised on the understanding that there are some key barriers, which have been further amplified by the events of 7 October 2023 , that prevent the growth of rural enterprises and in turn the rural economy. These key barriers include limited access to finance, limited access to farmer business and financial literacy training as well as outdated agricultural practices. Renewed interest in agriculture and an increased demand for locally cultivated produce due to high import costs are opportunities for rural enterprises. By strengthening financial service providers to offer adequate products for the rural population and increasing the financial supply side in combination with technical and skills training, RUFIPP aims to overcome these key barriers. RUFIPP financed activities will also improve the overall policy environment and the capacity of rural finance institutions to create a more conducive and inclusive rural finance environment and attain long term sustainability of the rural financial system.

D. Alignment, ownership and partnerships

26. The Project is closely aligned with SDG 1 (No Poverty) and SDG 2 (Zero Hunger) as targeted beneficiaries represent one of the most economically vulnerable groups. RUFIPP also aspires to bring about greater gender equality by providing greater access to women to financial resources (SDG 5: Gender Equality). The emphasis on increasing jobs and incomes is expected to contribute to opportunities for meeting the targets of SDG 8: Decent Work and Economic Growth. Financial literacy trainings and promoting climate friendly financial product innovation contribute to achieving SDG 13 (Climate action).

27. RUFIPP is also aligned with the Palestinian Authority's Emergency Response Plan as published in May 2024. It will support objectives around economic sector development, specifically in: (i) incentivizing and restoring the private sector; (ii) reactivating agricultural production; and (iii) National Policy Agenda and the priorities outlined in the national plans.

28. Implementation level partnerships will be established between the Ministry of Finance (MoF) and Ministry of Agriculture (MoA) and other agencies such as Palestinian Agricultural Credit Institute (PACI) Palestine Disaster Risk Reduction and Insurance Fund (PADRIF) and Palestinian Fund for Employment and Social Protection (PFESP) especially under component 3. Additionally, synergies are sought with EIB funded credit projects, Agence Francaise de Developpement (AFD) PROPARCO's risk sharing facility and the multi-year guarantee facility (SGF) and technical assistance program (TAP) provided by the Swedish International Development Cooperation Agency. These partnerships aim at addressing both

challenges arising in the meso-enabling environment as well as addressing the dynamic issues beneficiaries face in meeting their credit needs.

E. Costs, benefits and financing

29. Financing for RUFIPP is channelled through the FGWB to which IFAD has contributed a grant of US$2 million, the EU a grant of US$10.52 million and AECID a grant of US$0.45 million. Government contribution to the project is US$1.51 million and contribution of beneficiaries is US$3.17 million. RUFIPP has a financing gap of US$9.53 million. Out of this, an estimated amount of US$0.79 million will be filled through an expansion of the partnership with AECID during implementation. AECID funds will only benefit component 1. The remaining US$8.74 million will be filled during implementation through soft loans contracted directly with the PA. These funds will benefit financial service providers under component 2.1. Other channels to mobilise additional grant financing will be explored.

Project costs

30. Total project costs amount to US$27.18 million. The overall project implementation period is 5 years. Recurrent costs are budgeted at 12% of the overall project cost.

Table 1
Project costs by component and subcomponent and financier
(Thousands of United States dollars)

Component/subcomponent	FGWB - IFAD		FGWB - EU		Financing gap		FGWB - AECID		Beneficiaries		GoP in-kind		GoP cash		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Capacity Building for Financial Inclusion																
Financial Literacy Training Programmes for Capacity Building	0.29	9	2.58	77	0.33	10	0.18	5	-	0	-	0	-	0	3.37	12
Financial literacy awareness raising	0.33	16	0.55	27	0.49	24	0.27	13	-	0	0.38	19	-	0	2.0	7
B. Improved access to useful and affordable rural finance products and services																
Rural Finance product and service innovation challenge fund	-	0	1.72	100	-	0	-	0	-	0	-	0	-	0	1.7	6
Wholesale Facility for expanding access to affordable, and usable financial products and services	0.66	5	1.41	10	8.72	60	-	0	3.17	22	0.13	1	0.51	3	14.6	54
C. Capacity Development and Strengthening of Rural Finance Institutions																
Capacity Development of key financial sector institutions	-	0	1.57	100	-	0	-	0	-	0	-	0	-	0	1.6	6
Policy Engagement, Advocacy and Knowledge Generation	-	0	0.41	100	-	0	-	0	-	0	-	0	-	0	0.4	2
D. Programme Management and Coordination																
Programme Costs	0.53	21	1.84	73	-	0	-	0	-	0	0.17	7	-	0	2.5	9
Operational and Other Expenses	0.20	21	0.44	46	-	0	-	0	-	0	0.32	34	-	0	1.0	3
Total	2.00	7	10.52	39	9.53	35	0.45	2	3.17	12	1.00	4	0.5	2	27.18	100

Table 2
Project costs by expenditure category and financier
(Thousands of United States dollars)

	FGWB - IFAD		FGWB - EU	%	Financing gap		FGWB - AECID		Beneficiaries		GoP in-kind		GoP cash		Total	
Expenditure category	Amount	%			Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Investment Costs																
B. Goods, Equipments & Materials	0.18	15	0.51	43	0.32	27.5	0.17	14	-	-	-	-	-	-	1.18	4
C. Consultancies	0.74	22	1.92	56	0.16	4.7	0.09	3	-	-	0.51	14.9	-	-	3.42	13
D. Training & Workshops	0.44	11	3.18	77	0.32	7.8	0.18	4	-	-	-	-	-	-	4.13	15
E. Grants and subsidies	-	-	2.87	100	-	-	-	-	-	-	-	-	-	-	2.87	11
F. Credit,Guarantee Funds	-	-	-	-	8.7	70.3	-	-	3.17	25.6	-	-	0.51	4	12.40	46
Total Investment Costs	1.35	6	8.49	35	9.53	39.7	0.45	2	3.17	13.2	0.51	2.1	0.51	2	24.01	88
II. Recurrent Costs																
A. Salaries and allowances	0.45	22	1.60	78	-	-	-	-	-	-	-	-	-	-	2.05	8
B. Operating costs	0.20	17	0.44	39	-	-	-	-	-	-	0.49	43.5	-	-	1.12	4
Total Recurrent Costs	0.65	20	2.04	64	-	-	-	-	-	-	0.49	15.4	-	-	3.17	12
Total PROJECT COSTS	2.00	7	10.52	39	9.53	35.1	0.45	2	3.17	11.7	1.00	3.7	0.51	2	27.18	100

Table 3
Project costs by component and subcomponent and project year (PY)
(Thousands of United States dollars)

	Y1		Y2		Y3		Y4		Y5		Total
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
A. Capacity Building for Financial Inclusion /a											
Financial Literacy Training for Capacity Building	0.78	25	0.78	25	0.78	25	0.78	25		-	3.12
Financial literacy awareness raising	0.45	20	0.45	20	0.45	20	0.45	20	0.45	20	2.27
B. Improved access to rural finance products and services	-										
RF product and service innovation challenge fund		0	0.57	33	0.57	33	0.57	33		-	1.72
Facility for access to financial products and services	2.92	20	2.92	20	2.92	20	2.92	20	2.92	20	14.60
C. Capacity Development/Strengthening of Rural FI	-										
Capacity Development of key financial sector institutions	0.39	25	0.39	25	0.39	25	0.39	25	-	-	1.57
Policy Engagement, Advocacy and Knowledge Generation	0.10	25	0.10	25	0.10	25	0.10	25	-	-	0.41
D. Programme Management and Coordination											
Programme Costs	0.51	20	0.51	20	0.51	20	0.51	20	0.51	20	2.54
Operational and Other Expenses	0.19	20	0.19	20	0.19	20	0.19	20	0.19	20	0.95
Total	5.35	20	5.92	20	5.92	20	5.92	20	4.07	20	27.18

Financing and cofinancing strategy and plan

31. The Financing Plan covers i) IFAD FGWB grant contribution of US$2 million; ii) EU FGWB grant contribution of US$10.52 million; and iii) AECID FGWB grant contribution of US$0.45 million. In cash and in-kind financing counterpart amounts to US$1.51 million. RUFIPP has a financing gap of US$9.53 million. Out of this, some US$0.79 million will be filled through an expansion of the partnership with AECID during implementation. AECID funds will only benefit component 1. The remaining US$8.74 million will be filled during implementation through soft loans contracted directly with the PA. These funds will benefit financial service providers under component 2.1.

Disbursement

32. The project will open a single designated pooled account held and mobilised by the project PMU based at the Ministry of Finance and denominated in US$. The designated account will receive funds from the FGWB managed by IFAD including the IFAD grant and the grants from the EU and AECID. The project accounting software will be set-up to allow for separate accounting of project expenditures and inflows by different sources of funding. Disbursements from the FGWB managed by IFAD will be made by way of quarterly advances based on the cash forecast statement included in the interim financial reports (IFRs) and submitted through the IFAD Client Portal (ICP). On a quarterly basis the project will also submit justifications for the use of funds by financier based on the sources and uses of funds statement of the IFRs. The project will open an operating account denominated in US$ that will be mobilized by the PIU based within the Ministry of Agriculture as well as an additional operating account to receive dedicated project counterpart funds. All implementing agencies receiving funds from the PMU will keep sub-project accounts for segregating the funds received. The sub-project accounts will be denominated in US$ and will be opened in credible financial institution(s). Revolving funds for on-lending will be transferred to the qualifying financial service providers (FSPs) after required conditions are met. Disbursements of funds for on-lending to the FSPs will be made in tranches on meeting the agreed terms and conditions. Reflows from loans will be collected through a segregated account operated by PFESP and subsequently disbursed to a segregated account under the Ministry of Finance.

Summary of benefits and economic analysis

33. An Economic and Financial Analysis (EFA) was carried out using a total of 11 selected farm and enterprise models that the beneficiaries would start with RUFIPP support. The EFA indicated that the Economic Internal Rate of Return (EIRR) is 34% and the economic benefit cost ratio is 1.24 with the economic discount rate of 2.2%. The project earns an Economic Net Present Value (ENPV) of US$253 million (NIS 910 million) for the 20-year period with 2.2% discount rate. The associated sensitivity analyses indicated that the project can withstand 20% increase in all costs and 20% reduction in all benefits. The EFA therefore concludes that RUFIPP is economically viable to receive public funds.

Exit strategy and sustainability

34. The final outcome of the RUFIPP is increased resilience of communities against economic and environmental shocks. At the macro level, RUFIPP will improve the enabling environment and set favourable conditions by working closely with regulator and policy institutions as well as apex organizations to enhance their capacities for policy making, oversight, and supervision. At the meso level, one of the underlying principles is to let the private sector select which of the innovations and financial services that can be cost effectively and profitably expanded. At the micro level, through financial literacy classes and by gaining experience dealing with FSPs, beneficiaries will be able to make informed decisions and will be capacitated to access financial services optimally to increase resilience and mitigate risks.

III. Risk management

A. Risks and mitigation measures

35. The Project's financial inherent and residual risks are assessed as High. The Project faces the following main risks: i) the PMU is unable to efficiently keep track of project funds, to keep an accurate accounting and produce timely financial reporting due to the number of implementing entities involved in the project; ii) the project staff hired lack familiarity with IFAD and EU procedures; iii) assets are lost and project activities are not implemented and supervised due to security concerns; iv) the financing gap is not timely filled causing delays in project implementation preventing the full achievement of its development objectives; v) on-lending and microfinance activities are not well targeted or well justified causing ineligible expenditures; and vi) the fiscal situation of the PA further deteriorates making it impossible for the different government agencies and ministries to function and implement the project. To mitigate these risks, all implementing partners will open specific bank accounts to segregate the funds received and ease the accounting and tracking of any expenditure. Also, there will be monthly financial reports to PMU for monitoring operations of sub-accounts and consolidation at PMU level and all partnering institutions will sign MoUs with the Ministry of Finance clearly highlighting all relevant financial management and reporting requirements. An accounting system will be acquired and installed at PMU before funds have been disbursed. IFAD will provide its non-objection to the selection of project finance staff and will ensure that selected candidates are familiar with EU and IFAD procedures. Also, the external recruitment of the project PMU will partially mitigate the risk of a complete project halt in case the fiscal situation at country level continues to deteriorate causing critical misfunctioning in the public administration. IFAD will monitor project implementation closely and timely adopt corrective measures in case implementation on the ground becomes impossible. IFAD will also liaise with other implementing partners from start-up to fill the financing gap. Finally, IFAD will provide its non-objection to a detailed manual concerning on-lending and microfinance activities which will clearly define eligibility criteria including targeting and reporting.

Table 4
Overall risk summary

Risk areas	*Inherent risk rating*	*Residual risk rating*
Country context	High	High
Sector strategies and policies	Substantial	Substantial
Environment and climate context	Substantial	Substantial
Project scope	Substantial	Substantial
Institutional capacity for implementation and sustainability	Moderate	Moderate
Financial management	High	High
Project procurement	Substantial	Substantial
Environment, social and climate impact	Substantial	Substantial
Stakeholders	Moderate	Moderate
Overall	Substantial	Substantial

B. Environment and social category

36. RUFIPP is classified as Substantial Risk: Category B in terms of its environmental and social risk level based on IFAD's SECAP guidelines and the responses to the "Guiding questions for environment and social screening". To ensure that RUFIPP's

environmental and social risk level remains moderate, each activity/intervention supported through the Project will be screened prior to any approval for financing.

C. Climate risk classification

37. Palestine is prone to a number of climate hazards including increased temperature, decline in precipitation and increase in the frequency and intensity of extreme weather events. These hazards will potentially lead to a decline in water availability, decrease in agriculture and livestock productivity, increase in disease, deterioration of biodiversity and damage to urban infrastructure. Therefore, climate risk category of the Project is classified as substantial". Project activities are expected to build the resilience of rural households and enterprises to manage climate risks. In addition, access to finance will encourage the use of technologies and inputs that can potentially lead to enhancing the adaptive capacity of farming households and small enterprises.

D. Debt sustainability

38. The last available report from the IMF concerning Palestine's debt sustainability is dated September 2023. By then the large accumulation of arrears indicated that West Bank and Gaza were in debt distress and that the increasing trajectory of its public debt over the long term was considered to be unsustainable. A more recent report from the World Bank confirms that the fiscal situation of the Palestinian Authority has dramatically worsened since then, significantly raising the risk of a fiscal collapse. Revenue streams have largely dried up due to the drastic reduction in clearance revenue transfers payable to the Palestinian Authority and a massive drop in economic activity. The rapidly widening gap between the amount of revenues coming in, and the amount needed to finance essential public expenditure, is driving a fiscal crisis. As of the end of 2023, this financing gap reached US$682 million. This gap is projected to double within the coming months, reaching up to US$1.2 billion. It has to be noted that all the financing under RUFIPP project will be provided under the form of grants and will therefore have no impact on the country's debt sustainability. Nevertheless, the risk for the implementation of project activities within a fiscal crisis at country level cannot be fully mitigated.

IV. Implementation

A. Organizational framework

Project management and coordination

39. The Ministry of Finance (MoF) is defined as the Lead Project Agency in the relevant project Financing Agreement and as such will have the overall responsibility for the execution of the Project through a specialized Project Management Unit (PMU) established under the International Relations and Projects Department.

40. MoF will also be responsible to ensure effective execution of the credit line portfolio through the PFESP leveraging the already established systems and procedures between the two institutions. PFESP will be strengthened with additional staff to coordinate their activities associated with the wholesale lending facility. The MoA will host a Project Implementation Unit and therefore it will have a significant role in implementation. RUFIPP will benefit from MoAs expertise in agricultural development, its outreach capacity in the rural areas and its network in the field. The Project Steering Committee (PSC), comprising of representatives of the Ministry of Finance, as the Lead Project Agency, and the Ministry of Agriculture, will steer the project by providing overall guidance and governance.

Financial management, procurement and governance

41. Most of the project financial management functions will be carried out by the PMU based within the MoF. However, the PIU based within the MoA will also carry out project financial management functions related to the portion of the AWPBs that it will be called to implement every year. The FM roles and responsibilities of all additional project implementing agencies will be defined by specific MoU. The PMU

however, will also be responsible for consolidating project accounting and financial reporting as well as for the submission to IFAD of all project related information and documents including AWPBs, Interim Financial Reports and requests for non-objection.

42. Project budgeting will be prepared in accordance with existing PA procedures. The Annual Work Plan and Budget (AWPB) will be approved by the Project Steering Committee and provided with a no-objection by IFAD. The Ministry of Finance will procure a financial management software, which will be used for recording financial transactions and reporting in addition to the Bisan system that is used for payments approvals as per PA procedures. Financial reporting, including transaction lists, will be prepared in line with IFAD and the EU requirements. A separate reporting concerning the revolving fund financial performance will also be prepared by the project. Advances to implementing agencies under MoF will only be recognized as eligible expenditures once justified to PMU through acceptable financial reports and other supporting documents required to substantiate expenditure. The PMU will be required to submit certified interim financial reports (IFRs) on a quarterly basis, which will be the basis for disbursement.

43. Internal Audit of the Project will be provided by the Internal Audit Department of the Ministry of Finance. The Project will be audited by an independent and experienced private audit firm acceptable to IFAD and recruited on a competitive basis. The audit terms of reference and the selection of auditor will be approved by IFAD in advance in line with the guidance provided in the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed projects. The external auditors will be given access to all relevant project documents detained by the different project implementing partners. Audited financial statements must be submitted to IFAD within six months following the end of the fiscal year.

44. In 1998, the IFAD Governing Council created the IFAD Fund for Gaza and the West Bank (the "FGWB") to provide financial assistance for projects and programmes in the form of loans and grants for Gaza. The fund would support areas, sectors and activities in the West Bank which are or will be under the jurisdiction of the Palestinian Authority (the "PA"). Therefore, IFAD will enter into a Financing Agreement with the PA for the implementation of the Project.

45. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Fund's Project Procurement Guidelines, as may be amended from time to time by the Fund. An 18-month initial procurement plan will be developed referencing the AWPB for the same period, and thereafter will be prepared and updated consistently. As an added risk mitigation measure, procurement will be categorized as either Prior or Post review.

Target group engagement and feedback and grievance redress

46. Beneficiary engagement will occur at different levels encompassing the participating financial institutions and end target groups. Engagement with the participating financial institutions will occur through special sessions organized by the PMU to inform FSPs about the Project. Engagement with the Project target groups will happen through sensitization meetings of the Project activities and through meetings and consultations with participating financial institutions that will provide the financial products and services.

Grievance redress

47. The Project's grievance redress mechanism will record and address any complaints that may arise during the implementation. Complaints at the project level will be recorded on the Grievances Redress Mechanism. A Grievance Redress Committee will investigate to check the validity and severity of grievances and put in place mechanisms for resolution.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

48. Day-to-day project implementation will be driven by a result-based AWPB. Building on past experiences, a comprehensive reporting and monitoring software will be developed that will integrate the complex reporting systems of the different implementing partners. Learning and knowledge management (KM) will be one of the key scaling-up pathways of the innovative financial and non-financial services and products developed by the project. The Project will have a communication strategy with a gender and youth sensitive action plan to be developed during the start-up workshop with the participation of implementing partners.

Innovation and scaling up

49. RUFIPP will bring multiple critical innovations in the financial sector such as a structured co-financing debt instrument, an innovation fund and a catalytic credit facility designed to incentivize much greater FSP service in rural low-income household rural markets. While financial literacy will create demand and healthy financial management decisions, innovative product, and service development as well as strengthened institutions & enhanced regulatory environment will provide new opportunities and avenues for the FSPs to capitalize more efficiently on the other donor programs.

C. Implementation plans

Implementation readiness and start-up plans

50. To ensure timely start-up, the PA will swiftly start with fulfilling the disbursement conditions, establishing a project steering committee and recruitment of the Project Management Unit and Project Implementation Unit. A detailed project implementation manual has been developed as part of the start-up package.

Supervision, midterm review and completion plans

51. IFAD will conduct supervision and implementation support missions annually to assess overall progress and performance, gaps and constraints, and identify the necessary implementation support requirements. MTR will focus more on strategic direction and provide an opportunity to make changes to the project budget and component structures as identified and needed. The Project Completion Review (PCR) will be the responsibility of PA with support from IFAD in accordance with the PCR guidelines.

V. Legal instruments and authority

52. A project financing agreement between the Palestinian Authority and the FGWB, as represented by IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as appendix I

53. The Palestinian Authority is empowered under its laws to receive financing from IFAD.

54. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing and the instrument creating the FGWB.

VI. Recommendation

55. According to the delegation of authority procedure approved by the Executive Board at its 126th session and detailed in document EB 2019/126/R.48/Rev.2, the President is invited to approve the proposed financing in terms of the following resolution:

    RESOLVED: that the IFAD Fund for Gaza and the West Bank, as represented by IFAD shall provide a grant to the Palestinian Authority in an amount of two million United States dollars (US$2,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Donal Brown
Associate Vice-President, Programme Management Department

Negotiated financing agreement

Rural Financial Inclusion Project in Palestine

(negotiations concluded on 6 September 2024)

FINANCING AGREEMENT

Grant No:

Project name: Rural Financial Inclusion Project in Palestine ("RUFIPP" or "the Project")

The Palestinian Authority (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS:

A. In 1998 the IFAD Governing Council created the IFAD Fund for Gaza and the West Bank (the "FGWB") in order to provide financial assistance for projects and programmes in the form of loans and grants for Gaza and for such areas, sectors and activities in the West Bank which are or will be under the jurisdiction of the Palestinian Authority;

B. On 13 September 2022, the Executive Board of IFAD transferred resources to the FGWB for the purpose of providing financing in the form of a grant in order to support the Project (the "IFAD Contribution");

C. Additional funds have been provided to the FGWB for the same purpose by: i) the European Union (the "EU"), as represented by the European Commission (the "EC"); and ii) the Kingdom of Spain as represented by the Spanish Agency for International Development Cooperation ("AECID") (together referred to as the "Donors").

D. On 31 May 2024, the EC and IFAD entered into a contribution agreement (the "Contribution Agreement") under which IFAD will make a contribution in the form of a grant from the EC (the "EU Contribution") in order to support the Project;

E. On 5 April 2023 and 27 December 2023 the Government of Spain, as represented by the Spanish Agency for International Development Cooperation and IFAD entered into a letter of agreement (the " Agreement") under which IFAD will receive a contribution in the form of a grant in order to support the financing of the Project (the "Spanish Contribution") .

F. IFAD adheres to the principles and guidelines as set out in the Financial and Administrative Framework Agreement ("FAFA") entered into between European Community and the United Nations on 29 April 2003, and to which IFAD acceded on 27 September 2004, as last amended on 1 January 2019; and

G. The Recipient has requested IFAD for financing for the Project as further described in Schedule 1 to this agreement.

NOW THEREFORE, the Parties wish to set forth the terms and conditions under which the resources, as mentioned above for the implementation of the Project shall be transferred by the FGWB through IFAD to the Recipient.

Section A: General

1. The following documents collectively form this financing agreement (the "Agreement"): this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the "General Conditions" or the "GCs") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provisions that refer to Loan financing which shall not apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. In the event of an inconsistency between this document and any of the Schedules or the General Conditions, the provisions of this document shall prevail.

4. The Fund shall provide:
i) A grant A (the "Grant A");
ii) A grant B (the "Grant B"); and
iii) A grant C (the "Grant C"); collectively referred to as the "Financing to the Recipient, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B: Financing

1. A. Grant A shall exclusively consist of the IFAD Contribution and its amount shall be two million United States Dollars (USD 2 000 000);

B. Grant B shall exclusively consist of the EU contribution received by the Fund; shall be net of all direct and indirect costs retained by IFAD for the management and supervision of this Project and its amount shall approximately be of ten million five hundred and twenty three thousand, three hundred and sixty two United States Dollars (USD 10 523 362); and

C. Grant C, shall exclusively consist of the Spanish contribution received by the Fund; shall be net of all direct and indirect cost retained by IFAD for the management and supervision of this Project and its amount shall approximately be four hundred and forty six thousand five hundred and fifty seven United States Dollars (USD 446 557) .

2. There shall be a designated account denominated in United States Dollars (USD), (the "Designated Account") for the exclusive use of the Project opened in the Bank of Palestine, managed by the Project Management Unit (PMU), and a Project Operating Account also denominated in United States Dollars (USD), managed by the Project Implementation Unit (PIU), and opened in a Commercial Bank, acceptable to the Fund. Any project implementing partner receiving funds from the Project to implement project activities, shall

open a dedicated sub-project account denominated in USD for segregating the funds received. The Recipient shall inform the Fund of the officials authorized to operate the Designated Account.

3. The Fund shall credit the amount of the Financing into the Designated Account only when the funds have been received from the each of the Donors. Any withdrawals from the Designated Account shall be subject to the condition that sufficient funds for the Project shall have been received by the Fund from the Donors and deposited in the Designated Account to cover the withdrawal and that the Fund shall have been notified of such transfer and deposit in writing. The Fund shall have no obligation to extend financial assistance to the Recipient under this Agreement for the purpose of the Project if no funds are available in the Designated Account for the Project. IFAD shall not be held liable for any exchange losses resulting, directly or indirectly, from disbursements of the contribution towards the Recipient. The Financing shall be used solely to finance Eligible Expenditures as defined in this Agreement.

4. *Date of Entry into Force, Project Completion Date and Financing Closing Date*. The date of entry into force shall be the date when the last Party signs this Agreement. The Project Completion Date shall be the 31 December 2028. The period between the date of entry into force and the Project Completion Date shall be referred to as the "Project Implementation Period". All obligations of the Parties with the exception of the obligation to retain records, accounts and documents for operation reviews or evaluations and to facilitate supervision and evaluation shall have been performed no later than the date six (6) months after the Project Completion Date (the "Financing Closing Date").

5. The Recipient shall provide counterpart financing for the Project in the estimated amount of two million six hundred and seventy five thousand United States Dollars (USD 2 675 000) out of which: USD 500 000 are estimated as a contribution in cash for activities related to wholesale funding small and community-based institutions and organizations; USD 980 000 are estimated as a contribution in kind to cover to costs related to office spaces, technical support to implementing partners and salaries of public servants involved in project activities and USD 1 195 000 to cover for taxes and duties related to project activities. The contributions from Project beneficiaries are estimated to an amount of USD 3 120 000 and will contribute to component 2.2 (the wholesale facility set up for expanding access to financial products and services).

6. *Eligible Expenditures*. The Recipient shall have the right to incur expenditures under the Financing necessary to meet the costs of implementing the Project, as long as these expenditures are considered eligible by the Fund. To be considered eligible under this Agreement, expenditures must be:

i. Approved by IFAD as part of the Annual Work Plan and Budget;

ii. Necessary for carrying out the Project, directly attributable to it, arising asa direct consequence of its implementation and charged in proportion to the actual use;

iii. Incurred in accordance with the provisions of this Agreement;

iv. Actually incurred by the Recipient, that is, they represent real expenditure definitely and genuinely born by the Recipient;

v. Reasonable, justified and in compliance with IFAD's principles of sound financial management, in particular value for money and cost effectiveness;

vi. Incurred during the Project Implementation Period with the exception of costs related to the completion report, final evaluation, audit and other costs linked to the closure of the Project which may be incurred after the Project Implementation Period but before Financing Closing Date;

vii. Identifiable and backed by supporting documents as per IFAD's rules on financial reporting and auditing;

viii. Covered by one of the sub-headings indicated in the allocation tables in Schedule 2 hereto by the activities described in Schedule 1 hereto; and

ix. In compliance with applicable tax and social legislation taking into account IFAD's privileges and immunities.

7. In addition to paragraph 6 of this Section, where the implementation of the Project requires the setting up or the use of one or more Project offices, the Fund may declare as eligible direct costs the capitalised and operating costs of the structure if all the following conditions are fulfilled:

(a) They comply with the cost eligibility criteria referred to in Section B.6 above;

(b) They fall within one of the following categories:

(i) costs of staff, including administration and management staff, directly assigned to the operations of the Project office. The tasks listed in Schedule 1 hereto, undertaken by staff assigned to the project office will be directly attributable to the implementation of the Project;

(ii) travel and subsistence costs for staff and other persons directly assigned to the operations of the project office;

(iii) depreciation costs, rental costs or lease of equipment and assets composing the project office;

(iv) costs of maintenance and repair contracts specifically awarded for the operations of the project office;

(v) costs of consumables and supplies specifically purchased for the operations of the project office;

(vi) costs of IT and telecommunication services specifically purchased for the operations of the project office;

(vii) costs of energy and water specifically supplied for the operations of the project office;

(viii) costs of facility management contracts including security fees and insurance costs

(c) Where costs of the Project office are declared as actual costs, the Fund may declare as eligible only the portion of the capitalised and operating costs of project office that corresponds to the duration of the Project and the rate of actual use of 'the project office for the purposes of the Implementation of the Project.

(d) Costs of the Project office not declared as actual costs are only eligible if they have been ex-ante assessed by the European Commission.

Section C: Implementation

1. The Lead Project Agency shall be the Ministry of Finance.

2. Additional Project Parties are described in Schedule 1.

3. The Fund will administer the Financing and supervise the Project.

4. The Recipient shall implement the Project in order to achieve the "Goal" and "Objectives" set forth in Schedule 1. The Recipient shall implement the Project (i) with due care, diligence, transparency and efficiency as required by best practice in the field concerned; (ii) in compliance with relevant and applicable legislation; (iii) in respect of human rights and internationally agreed labour standards; (iv) in accordance with the Annual Work Plans and Budgets (the "AWPBs") approved by IFAD; and (v) otherwise in accordance with this Agreement.

5. The Recipient shall make every effort to mobilise all the financial, human and material resources required for the full implementation of the Project, as specified in Schedule 1.

6. The Recipient undertakes to ensure that the conditions for the implementation of the Project imposed upon it, where applicable, shall also apply to all Project Parties and service providers.

7. The Recipient shall have due regard to economy and efficiency and the need to uphold the highest standards of integrity in the administration of public funds, including the prevention of fraud and corruption. All suspected and actual cases of irregularity, fraud and corruption related to this Agreement as well as measures related thereto taken by the Recipient shall be reported to the Fund without delay. Where appropriate the Recipient shall terminate contracts with Project Parties, service providers or agents involved in fraudulent behaviour or corrupt practices in connection with this or any other Project implemented by the Recipient and financed by the EU and/or IFAD and shall take all reasonable measures to recover funds unduly paid.

8. The Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Fund's Project Procurement Guidelines, as may be amended from time to time by the Fund.

9. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

Section D: Reports, Record Keeping and on the spot checks

1. The Recipient shall provide IFAD with full information on the implementation of the Project. Any reports provided to IFAD may be shared with the Donors. These reports shall consist of a narrative part and a financial part, and supporting documentation. Reporting, narrative as well as financial, shall cover the whole of the Project, regardless of the source of funding.

2. IFAD may request additional information at any time, providing the reasons for the request. Such information shall be supplied within twenty-five (25) days of the request.

3. <u>*Progress Report*</u>. At the end of the fiscal year the Recipient shall send an annual, Progress Reports to IFAD in accordance with the provisions below. Every Progress Report

shall provide a complete account of all aspects of implementation of the Project for the period covered, which shall at least include:

(i) Summary and context of the Project;

(ii) Results (output or outcomes) achieved by the Project as measured by their corresponding indicators, agreed baselines and targets, and relevant data sources;

(iii) Information on the activities directly related to the Project as described in Schedule 1 and carried out during the Project Implementation Period;

(iv) Information on implementation challenges and mid-course adjustment measures taken;

(v) Information on implementation of the Communication and Visibility Measures undertaken by the Recipient;

(vi) Information on costs incurred and any legal commitments entered into by the Recipient;

(vii) a detailed list of all costs incurred and legal commitments for each financing instrument and in line with the Project Budget as described in Schedule 2 herein;

(viii) Control and audit reports conducted pursuant to IFAD's rules on financial reporting and auditing, as specified in IFAD’s audit framework and Handbook. Audit TORs will be subject to the Fund’s no objection;

(ix) Work plan and forecast budget for the next reporting period.

4. Interim Financial Reports (IFRs): The project shall submit within 45 days by the end of every quarter an Interim Financial report to IFAD through the IFAD Client Portal (ICP) platform. The Interim financial reports will be used as basis for disbursement as detailed in the project Financial Management and Financial Control Arrangements Letter. The required statements included in the IFRs are:

(i) Cash flow Forecast;

(ii) Sources and Uses of Funds Statement;

(iii) Designated account activity Statement;

(iv) Variance Analysis (for the quarter; year and cumulative);

(v) Transaction Lists (for all financing instrument, both for the reporting period and cumulative).

5. *Completion Report*. The Recipient shall send a Completion/Final Report within six (6) months after the end of the Project Completion date to IFAD to cover the whole Project Implementation Period. The Completion Report, in addition to the information requested in paragraph 3 above, shall include:

(i) Summary of the Project’s receipts, payments received and eligible costs incurred;

(ii) Where applicable, overview of any funds incorrectly used;

(iii) Where applicable, details of transfer of equipment, vehicles, assets and remaining major supplies.

6. Each Progress Report shall be submitted to IFAD not later than three months (30 September the latest) after the end of the Recipient’s fiscal/financial year or at a specified time stipulated by IFAD. The Completion Report shall be submitted to IFAD within six (6) months of the end of the Project Implementation Period.

7. Reports shall be submitted in United States Dollars/USD ($).

8. If the Recipient fails to comply with these obligations, IFAD may apply the remedies set forth in this Agreement.

9. In addition to the above, the Recipient shall ensure that progress reports, publications, press releases and updates, relevant to this Agreement, are communicated to the Fund as and when they are issued.

10. The Recipient shall facilitate all activities related to supervision, evaluation or review of the Project carried out by the Fund, the EU or third parties authorized by the Fund or the EU during the Project Implementation Period and for ten (10) years after the Project Completion Date. Without prejudice to the foregoing, representatives of the Fund and of the EU shall be invited to participate in the main supervision, monitoring and in the evaluation Missions and meetings relating to the performance of the Project. The results of such missions shall be reported to the Fund and to the EU, and the missions are to be planned ahead and procedural matters are to be agreed upon by the Fund, the EU and the Recipient in advance.

11. The Recipient shall maintain adequate records and documents (both in hard and electronic copies in format and quality acceptable to the Fund and EU), including financial accounting documents and transaction lists concerning the activities financed by the Project (EU contribution, IFAD contribution and Spanish contribution), to reflect its operations related to the implementation of the Project until the Project Completion Date, and shall retain and adequately store such records and documents (both in hard and electronic copies) for ten (10) years after Project Completion Date and in any case where the Fund notifies the Recipient in writing of an on-going audit, verification, appeal, litigation or pursuit of claim or investigation by the European Anti-Fraud Office (the "OLAF") or its appointed authorized agent(s).

12. The Recipient shall make available to the competent bodies of the Fund and/or of the EU, upon request, all relevant financial information, including statements of accounts concerning the Project. The Recipient further acknowledges and agrees that the EU, including its Court of Auditors, OLAF or any other EU/IFAD representative, may undertake, as the case may be, desk reviews, investigations or on-the-spot checks related to the Project financed by the EU Contribution both during the implementation period and ex-post. Such desk reviews, investigations or on-the-spot checks shall be conducted in accordance to the verification clauses agreed between the Fund and the EU, without prejudice to any arrangement the Fund has with OLAF.

Section E: Knowledge Management, Communication and Visibility

1. The Knowledge Management (KM) and Communication & Visibility measures provided for in this Agreement, which outlines specific activities on how information is to be obtained, analysed, and disseminated, will be applicable to this Agreement in close consultation with the EU. The KM & Communication measures shall include an outline on how knowledge will be disseminated using, but not limited to, the communication channels. In this regard, the Recipient and implementing agencies of this action will inform relevant audiences of the EU's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the action. These measures will be carried out in line with the EU guidelines for external actions and will be submitted to the EU during the first year of implementation as applicable.

2. The Recipient, under the supervision of IFAD, shall make visible the EU Contribution through its communication in reports, presentations, brochures, and websites, among others. Standards regarding visibility shall be derived from the latest EU's Communication and Visibility Guidelines" or such related documents and any other guidelines agreed between the Recipient and the Fund.

3. The Recipient shall take all appropriate measures to publicise the fact that the Project has received funding from the EU. In the event that and prior to the production of any written, audio-visual and/or information technology material connected with or resulting from the Project by the Recipient and intended for limited or general publication, the Recipient shall consult with the Fund and EU regarding the form and substance of the acknowledgement of the Fund's and the EU's role in providing funding for the Project and shall include an acknowledgement in terms agreed by both Parties. Information given to the press, the beneficiaries of the Project, all related public material, official notices, reports and publications, shall acknowledge that the Project was carried out "with funding by the European Union and supervision of the International Fund for Agricultural Development" and shall display in an appropriate way IFAD's official emblem and also the "European Logo" (twelve (12) yellow stars on a blue background or as directed by the EU).

4. In cases where the equipment or vehicles, assets and major supplies have been purchased using funds provided by the EU and/or IFAD, the Recipient shall include appropriate acknowledgement on such vehicles, equipment, assets and major supplies, including display of IFAD's official emblem and European Logo. Where such display could jeopardise the safety and security of the Recipient's staff, the Recipient shall propose appropriate alternative arrangements.

5. The size and prominence of the acknowledgement and IFAD's official emblem and the EU Logo shall be clearly visible in a manner that will not create any confusion regarding the identification of the Project as an activity of the Recipient, the ownership of the equipment and supplies by the Recipient, and the application to the Project of the Fund's and the EU's privileges and immunities.

6. All publications by the Recipient pertaining to the Project that have received funding from the EU and/or IFAD, in whatever form and whatever medium, including the internet, shall carry the following or a similar disclaimer: "This document has been produced with the financial assistance of the European Union (EU) and the support of the International Fund for AgriculturalDevelopment (IFAD)". The views expressed herein can in no way be taken to reflect the official opinion of the EU and/or IFAD.

7. Where relevant, if the equipment or assets bought with the EU Contribution is not transferred to the Recipient, local partners or the final beneficiary of the Project at the end of the ProjectImplementation Period, the visibility requirements as regards this equipment or assets (in particulardisplay of IFAD's emblem and the European Logo) shall continue to apply between submission of the Final Report and the Financing Closing Date, if the latter is longer.

8. Publicity pertaining to the EU Contribution shall quote these contributions in Euros, in parenthesis if necessary. The Recipient's publications and reports prepared in response to and in accordance with its legislative directives are excluded from this provision.

9. The Recipient accepts that IFAD and the EU publish in any form and medium, including on their websites the name and address of the Recipient, the purpose of the EU Contribution as well as the amount contributed and if relevant, the percentage of co-financing.

10. Upon a duly substantiated request by the Recipient, IFAD and the EU may agree to forego such publicity if the disclosure of the above information would risk threatening the

Recipient’s safety or harm its interests.

Section F: Rights to use results and transfer of equipment

1. IFAD will be entitled to all intellectual property and other proprietary rights including, but not limited to, patents, copyrights, and trademarks, with regard to products, processes, inventions, ideas, know-how, or documents and other materials which the Recipient has developed under the Agreement and which bear a direct relation to or are produced or prepared or collected in consequence of, or during the course of, the performance of the Agreement. For the sake of clarity, IFAD's retention of proprietary rights does not exclude the Recipient's right to be identified as the author of a work and other related unalienable moral rights, as the Recipient may be entitled.

2. IFAD will provide the Recipient with a non-exclusive, royalty free, worldwide, perpetual, non-transferable license to use, reproduce, and adapt the intellectual property of and other proprietary rights to products, processes, inventions, ideas, know-how, or documents and other materials which the Recipient has developed under the Agreement by any method now known or later developed.

3. To the extent that any such intellectual property or other proprietary rights consist of any intellectual property or other proprietary rights of the Recipient: (i) that pre-existed the performance by the Recipient of its obligations under the Agreement, or (ii) that the Recipient may develop or acquire, or may have developed or acquired, independently of the performance of its obligations under the Agreement, IFAD does not and shall not claim any ownership interest thereto, and the Recipient grants to IFAD a perpetual licence to use such intellectual property or other proprietary right solely for the purposes of and in accordance with the requirements of the Agreement.

4. The Recipient shall, free of charge, provide the Fund with copies of any relevant documents and materials as the Fund and EU may reasonably request, which the Fund and the EU may use for any purpose or objective they deem appropriate in accordance with applicable laws.

5. Unless otherwise specified, equipment, vehicles, assets and supplies paid for by the Recipient using funds from the EU Contribution shall, as determined by the Fund, be transferred to Recipient or local partners (excluding commercial contractors) or to the final beneficiary ofthe Project at the Project Completion Date. The Recipient pledges to use the assets to thebenefit of the Target Population. Documentary proof of these transfers shall be kept for verification for ten (10) years after Project Completion Date or as maybe reasonably requested by the Fund and EU.

Section G Remedies

1. In addition to the remedies set forth in Article XII of the General Conditions, the Fund may:

(a) Suspend payments if: (i) sufficient funds for the Project have not been received by the Fund from the EU, or the EU has decided to suspend payments to IFAD (ii) the appropriate supporting documentation as outlined in this Agreement has not been provided; (iii) credible information has come to the notice of the Fund and/or EU that puts into question the eligibility of the reported expenditure; (iv) credible information has come to the notice of the Fund and/or EU that indicates a significant deficiency in the functioning of the Internal Control System of the Recipient or that the expenditure reported by the Recipient is linked to a serious irregularity and has not been corrected; (v) the Fund and/or EU has credible information and/or proof that irregularities, fraud, or breach of substantial obligations under this Agreement have been committed by the Recipient; or (vi) if exceptional and unforeseen circumstances beyond the control of the Recipient make the project implementation impossible or excessively difficult, such as in cases of Force Majeure. The suspension shall take effect from the date a written notification is sent by the Fund to the Recipient, stating the reasons for the suspension.

(b) In the case of a suspension, the Fund may (i) request for clarifications or additional information; (ii) suspend payment, and where necessary, the implementation of the project, till such a time as relevant measures are put in place by the Recipient to prevent significant damage to the EU and IFADs financial interests. The suspension shall continue until: (i) the Fund is satisfied that the reason for the suspension no longer exists, in which case the Fund with prior approval from the EU will decide if an extension to the Project Implementation Period is warranted for an amount of time equivalent to the duration of the suspension.; or (ii) the Fund decides to terminate the Agreement in accordance with Sub-paragraph (d) below;

(c) Before suspension, the Fund shall formally notify the Recipient of its intention to suspend, inviting the Recipient to make observations within ten (10) days from the receipt of the notification. If the Recipient does not submit observations, or if after examination of the observations submitted by the Recipient the Fund decides to pursue the suspension, the Fund may suspend implementation of this entire Agreement serving seven (7) days' prior notice. In case of suspension of part of the implementation of the Agreement, upon request of the Recipient, the Parties shall enter into discussions in order to find the arrangements necessary to continue the part of the implementation that is not suspended. Any expenditures or costs incurred by the Recipient during the suspension and related to the part of the Agreement suspended shall not be reimbursed, nor be covered by the Fund and/or the EU.

(d) Terminate the Agreement after giving seven (7) days written notice and without paying compensation of any kind if (i) the Recipient makes false or incomplete statements to obtain the EU Contribution or provides reports that do not reflect reality; (ii) the Recipient commits financial irregularities or is guilty of grave professional misconduct; (iii) the Recipient undergoes legal, financial technical or organizational change that is liable to affect this Agreement substantially; or (iv) the Contribution Agreement is terminated before its completion date. In the event of early termination of this Agreement, the Fund may demand full or partial repayment by the Recipient of any amounts unduly paid.

2. Before terminating the Agreement, the Fund shall formally notify the Recipient of its intention to terminate, inviting the Recipient to make observations (including proposalsfor remedial measures) within thirty (30) days of receipt of the notification. If the Recipientdoes not submit observations, or if, after examination of the observations submitted by the Recipient, the Fund decides to pursue the termination, the Fund may terminate the Agreement serving seven (7) days prior notice.

3. Unless terminated earlier, the Agreement shall remain effective until the later of the end of the Financing Closing Date or any other date mutually agreed upon by the Parties.

4. *Refund/Declaration of Non-eligibility*. Amounts to be repaid to the Fund may be offset against amounts of any kind due to the Recipient after informing it accordingly. The Recipient’s prior consent is not required. This shall not affect the Parties’ option to agree on payment in instalments. Bank charges incurred from the repayment of amounts due to

IFAD and the EU shall be borne entirely by the Recipient.

5. *Other Remedies*. The remedies of the Fund set forth in this Agreement are cumulative and shall not prejudice any other remedies, which the Fund would otherwise have under general principles of law. No failure or delay by the Fund in exercising its rightsthereunder, or course of dealing, shall operate as a waiver thereof.

Section H: Cancellation, Suspension and Conditions Precedent to Withdrawal

1. The following are designated as additional grounds for suspension of this Agreement:

   (a) The Project Implementation Manual (the "PIM") and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project;

   (b) the rights of the Recipient to withdraw or receive the Financing have been suspended, cancelled or terminated, in whole or in part; or any event has occurred which, with notice or the passage of time, could result in any of the foregoing;

   (c) the unilateral dismissal, firing or removing of any of the Key Project personnel as per Schedule 3 of this Agreement without prior consultation/discussion or notification with IFAD;

   (d) delay in submitting requested documents (narrative and financial) beyond the agreed deadline or without any substantiated and acceptable reasons could be grounds for suspension.

2. The following are designated as additional conditions precedent to withdrawal:

   (a) IFAD no objection to the PIM shall have been obtained;

   (b) Key Project staff has been appointed as per Schedule 3 of this Agreement;

   (c) The Project accounting software has been set up by the Recipient in order to account for Project expenditure and reports in accordance with IFAD reporting requirements;

   (d) the rights of the Recipient to withdraw or receive the Financing have not been suspended, cancelled or terminated; or any event has not occurred which, with notice or the passage of time, could result in any of the foregoing.

Section I: Miscellaneous

1. Taxes*.* The proceeds of the EU Contribution shall not be used for the payment of duties, charges (including bank charges) or taxes charged to the Recipient, where taxes means imposts, levies, fees, tariffs and duties of any kind, including (but not limited to) value added, sales, income, property, mortgage, import and stamp taxes.

2. Confidentiality*.* The Recipient and the Fund or EU shall preserve the confidentiality of anydocument, information or other material directly related to this Agreement and duly classified as confidential, until at least ten (10) years after the Project Completion Date.

3. *No Agency or Liability*. It is understood that the provision of the EU Contribution by the Fund shall in no way be construed as appointing the Recipient or any other person or institution involved in the Project as the agent or representative of the Fund and/or EU. It

is further understood and agreed that the Recipient implements the Project on its own behalf and has the exclusive responsibility for its implementation and for complying with any legal obligation incumbent on it. The Fund or EU may not under any circumstances or for any reason whatsoever be held liable for damage or injury sustained by the staff or property of the Recipient while the Project is being carried out or as a consequence of the Project itself. Therefore, the Fund may not accept any claim for compensation or increases in payment in connection with such damage or injury. The Recipient shall assume sole liability towards third parties, including liability for damage or injury of any kind sustained by them in respect of or arising out of the Project. The Recipient shall discharge the Fund or EU of all liabilityassociated with any claim or action brought as a result of an infringement by the Recipientor the Recipient's employees or individuals for whom those employees are responsible of rules or regulations, or as a result of violation of a third party's right. The Recipient shall hold the Fund and the EU harmless against, any claim for loss, damage or injury of any kind whatsoever arising in connection with the Programme.

4. *Privileges and Immunities.*

(a) Nothing in this Agreement or in any document relating thereto shall be construed as constituting a waiver of any of the privileges or immunities accorded to the Fund by its constituent documents or under international law. The personnel undertaking and responsible for implementing the Project, whether employed by the Recipient or not, shall neither be entitled to any privileges, immunities, compensation or reimbursement on behalf of the Fundnor shall they be allowed to incur any commitments or expenses on behalf of the Fund.

(b) The Outputs of the Project are international public goods. All amounts of the EU Contribution disbursed to the Recipient in advance shall retain their international character and by virtue of the applicable international treaties and conventions they shall be immune from confiscation, expropriation and any other form of interference, whether by executive, administrative, judicial or legislative action.

5. *Conflict of Interests*. The Recipient shall take all necessary precautions to avoid conflicts of interests and shall inform the Fund without delay of any situation constituting or likely to lead to any such conflict. There is a conflict of interests where the impartial and objective exercise of the functions of any person implementing this Agreement is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another party such as a contractor or grant beneficiary, or the final recipients of funds.

6. *Amendment of the Agreement*. This Agreement can only be modified between the Date of Entry into Force of this Agreement and the Project Completion Date. If the request for an amendment comes from the Recipient, the latter shall submit that request to the Fund sixty (60) days before the amendment is intended to enter into force, and in any case no later than sixty (60) days before the Project Completion Date, unless there are special circumstances duly substantiated by the Recipient and accepted by the Fund.

7. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

For the Fund:

The President
International Fund for Agricultural Development

Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient].

RECIPIENT/PALESTINIAN AUTHORITY

____

Date: _______________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____

Date: ______________

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population*. The Project/ shall benefit 24,000 people. RUFFIPs main target group consist of (i) smallholder farmers; (ii) micro and small rural enterprises (MSEs); (iii) rural women; and (iv) rural youth

2. *Project area.* Under the first phase, the Project will be implemented in rural areas of the West Bank. The implementing team will be responsible for ensuring that RUFIPP resources will only be used to finance activities in areas which fall under the jurisdiction of the Palestinian Authority. Under the second phase, implementation could be expanded to the Gaza strip. Project interventions in the Gaza Strip will be contingent on an assessment of the demand for project activities, security situation and feasibility of implementation to be carried out jointly between IFAD and the PA in agreement with project financiers.

3. *Goal. The goal of the Project is* to increase communities' resilience against the economic and environmental shocks and improve the livelihoods of poor, excluded people.

4. *Objectives*. The objective of the Project *is* to improve the resilient economic growth and incomes of smallholder farmers and expansion of small holders and rural enterprises through increased awareness and knowledge about financial services and enhanced access to appropriate and affordable financial products.

Components

The Project shall consist of the following Components:

5. **Component 1:** Inclusive rural finance literacy and awareness raising is designed to address the low levels of financial literacy and the limited business expertise of smallholder farmers and Micro and Small Enterprises in Palestine. It consists of two subcomponents: Subcomponent 1.1 Financial literacy programmes for capacity building and Subcomponent 1.2 Financial literacy awareness raising.
6. **Component 2:** Providing inclusive and green rural finance products and services proposes to increase the supply of funding in the system. It consists of two subcomponents: Subcomponent 2.1 – Inclusive and green rural financial product and service innovation challenge fund and Subcomponent 2.2: Innovative Inclusive and Green financing facility.
7. **Component 3:** Capacity development and strengthening of Rural Finance Institutions. This component consists of two subcomponents: Subcomponent 3.1: Capacity development of key financial sector institutions and subcomponent 3.2: Policy Engagement, Advocacy, and Knowledge Generation.
8. **Component 4**: Project Management and Coordination.

II. Implementation Arrangements

6. *Lead Programme Agency* is the Ministry of Finance.

7. *Programme Steering Committee will be hosted by the MoF as lead Project Agency* The Steering Committee will be co-chaired by the Minister of Finance and the Minister of Agriculture and include stakeholders from MoF, MOA, Palestinian Monetary Authority (PMA), Palestinian Capital Market Authority (PCMA), implementing partners technical experts, and representatives from Private Sector. Representatives from the Office of the

European Union to West Bank and Gaza Strip and UNRWA as well as AECID serve as observers to the PSC. The PSC will meet once every six months and have the right to call for meetings more frequently, if required

8. *Programme Management Unit*. The MoF will be the lead agency for RUFIPP and responsible for the implementation of the Action through a specialized Project Management Unit (PMU) established under the International Relations and Projects Department. MoF will also be responsible to ensure effective execution of the credit line portfolio through implementing partners in specific for component 2 and component 3.2

The MoA will host a Project Implementation Unit (PIU) to utilize expertise in agriculture development and its outreach capacity in the rural areas and its network in the field. The MoA will implement component 1 and component 3.1.

9. Additional Project partners:

The Additional Project Parties shall be confirmed during implementation. They will benefit from capacity building activities under component 3.1.

10. *Monitoring and Evaluation*. The project management unit will be responsible to establish a functional M&E system based on RUFIPPs Theory of Change and the results based logical framework. A baseline survey will be launched as soon as possible during implementation. A mid-term survey will be launched by the PMU at approximately the third year of implementation. Complementary annual outcome surveys may be carried out if deemed necessary by the project team on a small sample of project beneficiaries under the supervision of the Programme Management Unit.

11. *Knowledge Management*. In line with IFAD and EU communication and visibility guidelines, activities implemented under this project are intended to contribute to impact acceleration in the action and beyond. To do so, methods, objectives, results, outcomes and impacts are documented and shared with appropriate audiences. The communication, learning and KM will be managed by the Project Management Unit and will be guided by a Learning, KM and Communication Strategy and Action Plan that will be developed during the start-up phase.

12. *Project Implementation Manual*. A draft Project Implementation Manual (PIM) will guide the implementation of the project. The PIM is a living document and can be altered during implementation.

13. Monitoring and evaluation: The following are some of the key M&E activities that will be undertaken during the implementation of the Project:

(i) *Logical Framework*: The Recipient will be required to fully operationalise the logframe and to update the indicators periodically ensuring the tracking, capturing and reporting on progress, achievements, results, outputs, outcomes and impacts for each of the result areas/components. The updated logframe should be included in any progress report that Recipient is required to submit or as may be requested by the Fund and/or EU.

(ii) EU Operational System-OPSYS: In line with EU reporting process, the Recipient will be required to encode and report the Project results and indicators into the EU online Operational Systems (OPSYS) during the start of the Project. IFAD will be the lead implementing agency and will provide required TA and capacity building to support the Recipient s to ensure the regular updating and reporting of results in OPYSYS based on reviewed and validated logframe results.

(iii) *Baseline and Outcome Surveys*: The Recipient will ensure that data and information relating to the Project's key impact areas will be collected prior to or at the start of the implementation in the New Counties and Sub-Counties while annual outcome survey will be conducted to periodically collect data and information with reference to the collected baseline information to closely monitor emerging outcomes and take timely corrective measures to improve the outcome and impact of the Project.

14. *Communication and Visibility Measures.* In addition to those provisions contained in Section F of the Financing Agreement above, the Project will ensure full compliance with the Communication and Visibility plan in close consultation with the EU and taking into account the latest EU Communication and Visibility guidelines for external action. In line with these latest guidelines, the Project has ensured that each of the result areas/components has embedded measures and budget to enhance communication and visibility of this Project. Furthermore, in close coordination and collaboration with the EU, the Project will ensure that there is consistent and coherent wide publicity with clear visibility to the EU funding through all the activities planned under each of the result areas/components. This will serve the purpose to increase impact and visibility by informing and engaging key stakeholders and the public on the activities and results of this EU funded Project.

Schedule 2

Allocation Table

1. *Allocation of the Financing Proceeds.*

(a) The Table below sets forth the Components of Eligible Expenditures to be financed by each of the Grants and the allocation of the amounts to each component of the Financing and the percentages of expenditures for items to be financed in each component:

Category	IFAD Grant- Grant A (USD)	EU Grant- Grant B (USD)	Spanish Grant- Grant C (USD)	Percentage
A. Capacity Building for Financial Inclusion	613 000	3 138 026	446 557	100% Net of taxes and Government contributions
B. Improved access to useful and affordable rural finance products and services	655 000	3 129 753		100% Net of Government and beneficiaries' contributions
C. Capacity Development and Strengthening of Rural Finance Institutions		1 986 387		100% Net of taxes and Government contributions
D. Programme Management and Coordination	732 000	2 269 196		100% Net of taxes and Government contributions
TOTAL	2 000 000	10 523 362	446 557	

(a) *Authorized Reallocation.* Reallocations among Cost Category is authorized without an amendment to the Agreement provided that: (i) any reallocation does not affect the basic purpose of the Project; and (ii) the financial impact is limited to a transfer within a single budget heading, including cancellation or introduction of an item, or a transfer between budget headings involving a variation (as the case may be in cumulative terms) of 25% or less of the amount originally entered (or as amended by a written rider) in relation to each concerned heading.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a) (xxiii) of the Fund's General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Designated Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Anticorruption*. The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations. The Recipient ensures that the systems governing the expenditure from the project funds will be subject to its national and IFAD/EU anti-corruption practices and in this regard, IFAD's anti-corruption policy shall be communicated as appropriate, including its concept of zero tolerance and the mechanisms for reporting suspected irregular practices.

i. Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Measures. The Recipient ensures its commitment to combating money laundering and terrorism financing, consistent with IFAD's Anti-Money Laundering and Countering the Financing of Terrorism Policy in the Project Activities.

ii. The Recipient ensures that the systems governing the expenditure from the project funds will be subject to national laws and regulations as well as IFAD's Framework on this regard, which will be communicated to the Recipient. Further, the Recipient shall ensure that appropriate controls are included in the PIM and that the Participating Financial Institutions and key implementing partners: (i) comply with applicable laws and regulations of the Recipient on AML-CFT and that the Financing proceeds are not used, directly or indirectly, in money laundering or financing of terrorism; (ii) formulate and implement internal control procedures, including due diligence procedures; and (iii) promptly inform the Recipient if there is any violation or potential violation of this paragraph. In the event that PFIs/key implementing partners inform the Recipient of an alleged violations, PFIs/key implementing partners shall cooperate in good faith with the Fund/EU and its internal investigations.

iii. Further, the Recipient undertakes not to use or otherwise make available, either directly or indirectly, the Grant proceeds in any other manner that would violate the Anti-Money Laundering, Countering the Financing of Terrorism, Sanctions and Personal Data Protection requirements set forth by the EU Contribution, and in the event of checks and requests initiated by the EU on such areas, the Recipient shall provide in a timely manner to IFAD, all the information deemed necessary, including any supporting documents.

2. *Gender, youth and vulnerable groups.* The Recipient shall ensure that the project contributes to the social and economic inclusion of youth, women and other vulnerable and marginalised groups and offer them an equal opportunity to participate and benefit from the project activities.

3. *Marginalized Groups and Minorities*. The Recipient shall ensure that the concerns of Marginalized *Groups* and Minorities are given due consideration in implementing the Project and, to this end, shall ensure that:

   a. The Project is carried out in accordance with the applicable provisions of the relevant national legislation on the protection of Marginalized Groups and Minorities;

b. Marginalized Groups and Minorities are adequately and fairly represented in all local planning for project activities;

c. Marginalized Groups and Minorities' rights are duly respected;

d. Marginalized Groups and Minorities participate in policy dialogue and local governance;

e. The Project will not involve encroachment on traditional territories used or occupied by Marginalized Groups and Minorities.

4. *Sexual Harassment, Sexual Exploitation and Abuse*. The Recipient and the Project Parties shall ensure *that* the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

5. *Internal audit.* Internal audit reports may be requested by IFAD in a mutually acceptable manner*.*

6. *Financial Reporting.* Within six months of entry into force of the Agreement, the Recipient shall ensure that an accounting software meeting IFAD's requirements is in place.

7. *Agreements with additional project parties.* Within six (6) months of entry into force of the Financing Agreement, the Project will enter into legally binding agreements with the additional project parties, as further defined in Section C and Schedule 1 to this Agreement, that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, auditing, accounting and reporting as applicable.

8*.* *Planning, Monitoring and Evaluation*. The Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

9. Use of Project Vehicles and Other Equipment.

The Recipient shall ensure that:

(b) all vehicles and other equipment procured under the Project are allocated to the Lead Agency and other Implementing Agencies as identified by the Lead Agency for Project implementation;

(c) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project; and

(d) All vehicles [and other equipment] transferred to or procured under the Project are dedicated solely to Project.

10. IFAD Client Portal (ICP) and Contract Monitoring Tool. The Recipient shall ensure that a request is sent to IFAD to access the Project Procurement Online Tool in the IFAD Client Portal (ICP) or IFAD Online Procurement End-to-End System. The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

11. The Key Project Personnel are: Project Manager, Financial Specialist, Officer for Monitoring and Evaluation and Procurement Officer.

i. General

In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD.

ii. Recruitment

The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

The Recipient shall, as applicable appoint/reappoint the Project Director and all other key Project personnel, including a dedicated personnel to coordinate the Project's activities in the manner specified in the Agreement or otherwise approved by the Fund. All key Project personnel shall have qualifications and experience specified in the Agreement or otherwise approved by the Fund. The Recipient shall exercise best efforts to ensure continuity in key Project personnel throughout the Project Implementation Period. The Recipient or the Lead Project Agency shall insure key Project personnel against health and accident risks to the extent consistent with sound commercial practice or its customary practice in respect of its national civil service, whichever is appropriate.

II. SECAP Provisions

1. The Recipient shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws and regulations to the Recipient and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Recipient shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For projects presenting high or substantial social, environmental and climate risks, the Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, Indigenous Peoples Plans (IPPs), Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans] (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Recipient shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Recipient has complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Recipient shall not, and shall cause the Executing Agency, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Recipient shall cause the Lead Project Agency to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Recipient shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project-affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Recipient shall ensure or cause the Executing Agency and Implementing Agency to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Recipient will ensure that a Project-level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project/Programme:

(i) has direct or potential material adverse effect;

(ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or

(iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;

- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project-level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in loan or within the /Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project/Programme workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.

10. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semiannual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project/Programme and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

11. The Recipient shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

12. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Name	Unit	BL	MTR	ET	Source	Freq.	Resp.	Assumptions
Outreach Number of persons receiving services promoted or supported by the project	Number of people receiving services	Persons	0	7,200	24,349	M&E Beneficiary Database (thru integrated IT system)	Quarterly	PMU/PIU/ Partner Institutions	Political and Macro-Economic instability do not interfere with the implementation nor lead to inappropriate targeting. Beneficiaries are provided real incentive to enhance their lives and contribute to stability and peace. Beneficiaries have access to basic socio-economic and productive infrastructures (electricity, roads, markets, water, land, etc.) even in marginalized areas
	- Men	Persons	0	4,500	13,818				
	- Women	Persons	0	3,500	10,531				
	- Youth	Persons	0	2,600	8,058				
	- Micro and Small Enterprises	Number	0	200	500				
	Corresponding number of households reached	HH	0	7,200	24,349				
	- Women headed households	HH	0	500	3,000				
	Estimated total number of HH members	Persons	0	36,000	121,972				
Goal: To increase communities' resilience against the economic and environmental shocks and improve the livelihoods of poor, excluded people	% reduction in the number hh living below the poverty line	%		5%	10%	National/ regional statistical services / EU, WB and UN statistics/ Baseline and completion surveys, Resilient Scores, PMA reports	MTR and completion	Targeting Specialist and M&E units, Baseline, Mid-term, and Impact assessment contractors	
	% increase of the number of targeted households being more resilient	% Score		5%	15%				
Development Objective: To improve the resilient economic growth and incomes of smallholder farmers and expansion of small holders and rural enterprises through increased uptake of a range of appropriate and sustainable financial products and services.	% of hh reporting at least 20% increase in HH net income (farm and non-farm activities/services	HH	0	20%	60%				
	% of poor rural smallholder HHs increased climate resilience	%		20%	50%				
	% increase in National Financial Inclusion Strategy in Palestine	%		1%	4%				
	- Men	%		1%	4%				
	- Women	%		1%	3%				
	- Youth	%		1%	3%				
Outcome 1 Enhanced efficiency in the use of financial services and improved financial management;	Increase in % of beneficiaries reporting better FM of their hh budget and productive business.	%		30%	70%	Mid-term and Completion survey	MTR and completion	Targeting Specialist and M&E units, Baseline, Mid-term, and Impact assessme	No major political shocks in the region Marco-economic conditions remain stable.
	- Men	%		30%	70%				
	- Women	%		25%	65%				
	- Youth	%		20%	60%				
	- M/SMEs.	%		30%	80%				
	% Y and F entrepreneurs engaged in new business activity as a result of RUFIPP support	%		5%	20%	Mid-term and			

Results Hierarchy	Name	Unit	BL	MTR	ET	Source	Freq.	Resp.	Assumptions
	- Women	%		5%	20%	Completion survey		nt contractors	
	- Youth	%		5%	15%				
Output 1.1 Target beneficiaries receive financial literacy and business development capacity support for planning and developing profitable and climate resilient productions and enterprises	Persons in rural areas trained in financial literacy and/or use of financial products and services	Persons	0	3,160	6,325	M&E Beneficiary Database	Quarterly	M&E Unit	
	- Men	Persons	0	1,900	3,795				
	- Women	Persons	0	1,260	2,530				
	- Youth	Persons	0	1,100	2,206				
	- Entrepreneurs	Persons	0	150	300				
	No. FFS established	No.	0	20	64			M&E Unit/FAO M&E	
	No. of FSP participating in FL prog	No.	0	2	4			M&E Unit / FSPs	
Output 1.2 Target beneficiaries benefit from financial awareness raising campaigns	Broadcasting programs on financial education developed and broadcasted	No.	0	15	40	Physical Progress Report	Semi-Annual	Digital Specialist	
	Online financial education tools developed	No.	0	1	2			Digital Specialist	
Outcome 2 Improved access and usage to useful and affordable inclusive and green rural finance products and services	Increased deposit account ownership	%		5%	15%	Baseline, mid-term and Completion surveys, FSP reports, PMA Stats	Annual monitoring from external resources. Project specific measurement at Project start, mid-term and Completion	M&E units, FSPs, Baseline, Mid-term, and Impact assessment contractors.	Eco, soc, pol and env/cli condit don't affect repayment of benef. Trust in formal fin. sector High demand for financial products/services in targ.areas
	- Men			5%	15%				
	- Women			4%	12%				
	- Youth			3%	10%				
	Increased loan account ownership	%		8%	20%				
	- Men			8%	20%				
	- Women			6%	15%				
	- Youth			6%	15%				
	% of targeted benef having other products remittance, insurance.	%		0%	10%				
	Increase in hh reporting using fin. services	%		10%	25%				
Output 2.1 Establish challenge fund to support development of innovative and/or refined existing financial products and services supporting financial needs of target beneficiaries	No. of inclusive and green financial products and services developed and commercialized for rural areas	No.	0	3	10	Physical Progress Reports	Semi-Annual	Senior RF Specialist, M&E Unit	
Output 2.2 Provide financial mechanism to support FSPs in expanding access to affordable, and usable financial products and	No. of affordable loans provided to the end beneficiaries	No.	0	3,000	8,200	Physical Progress Reports	Semi-Annual	RF Spec, M&E Un, PFESP, FSPs	
	- Male	No.	0	1,700	4,638				

Results Hierarchy	Name	Unit	BL	MTR	ET	Source	Freq.	Resp.	Assumptions
services meeting target beneficiaries' needs.	- Female	No.	0	1,300	3,562				
	- Youth	No.	0	1,000	2,602				
	- Micro and Small Enterprises.	No,	0	100	500				
	No. of risks sharing mechanisms introduced under multi-purpose WLF	No.	0	1	3				
	% of outstanding portfolio for climate adaption related activities	Perc.	0	50%	50%	FSP reports	Semi-Annual	RF Spec, M&E Un, PFESP, FSPs	
Outcome 3 Expansion in the range and quality of affordable financial services on a sustainable basis	Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment[i]	No.	0	3	6	Physical Progress Reports	Semi-Annual	Sen. RF Specialist, MoF, PMA, PCMA, FSPs	GoP and key inst. willing to change leg infra. for fin. inclusion & digitalization Coop between MoF, MoA, MoL, Ministry of Local Gov
	Partner financial service providers with portfolio-at-risk ≥30 days below 7%	FPS	0	1	3				
	% of supported organization members reporting new or improved services provided by their organization	%	0	30%	80%	Partner surveys	Annual	M&E unit, participating institutions	
Output 3.1 Provide inst. cap building and outreach supp to key fin institutions to support exp of fin products and services	No. of Policy-relevant knowledge products completed	No.	0	5	8	Physical Progress Report	Annual	RF spec, M&E Unit	
	No. of public debate forums organized	No.	0	1	3				
Output 3.2 Provide key fin sector institutions capacity and tools to engage with and support FSPs providing financial services to beneficiaries.	Number of formal financial institutions staff trained in sustainable management of financial inclusion initiatives.	No.	0	80	200	M&E Beneficiary Database	Annual	M&E Unit,	
	Number of corporate documents prepared to improve the capacity of partner institutions (i.e. road maps, pilot strategy, digital strategy, consumer protection)	No.	0	7	14	Physical Progress Report	Annual	RF Spec. Part inst.	

Integrated project risk matrix

Country Context	High	High
Fragility and Security	**High**	**High**
Risk: Increased violence, aggression and restriction movements since the events of 7of October.		
Mitigations: RUFIPP implementation will be aligned with guidance from the UNDSS with the assistance from the IFAD field coordinator. On the ground implementation will focus on non-sensitive areas (i.e. away from settlements). PMU will be staffed with professionals who well aware of the local environment and political sensitivities.		
Macroeconomic	**High**	**High**
Risk: Closure of movement of people and markets stifles the economy quickly and directly. Given shared currencies, the PA has little tools to influence macro-economic policies.		
Mitigations: Inclusion of access to finance and private sector development activities in project design to improve competitiveness and build national economy.		
Governance	**Moderate**	**Moderate**
Risk: There are various entities involved with various roles to play that can lead to weak coordination and governance over the Programme.		
Mitigations: The Government will establish a Project Management Unit in the MoF with the overall responsibility to manage and execute the project and a specialized Project Implementation Unit (PIU) will be established under the Land Reclamation Department of MoA. The roles of PMU and PIU will be complementary. There will be a Steering Committee that will provide strategic advice and direction during the implementation and will have oversight over the progress. The Steering Committee will act as an advocate of the Programme across the wider stakeholders. Deployment of field coordinator to ensure close follow-up with IFAD supervision recommendations.		
Political Commitment	**Substantial**	**Substantial**

Risk: Reforms in the PA could affect political commitment in spite of current alignment with priorities/strategies., Overall political commitment for RUFIPP has been very high. IFAD partnership with PA has been strong historically.	Substantial	Substantial
Mitigations: Continuous supervision, deployment of field coordinator and institutional strengthening activities to ensure political commitment.		
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy Development and Implementation	**Moderate**	**Moderate**
Risk: Lack of structured and disciplined approach to the development of policies under component 3 may endanger the sustainability of activities and prevent lessons learned integrating into the national programmes.		
Mitigations: A Project Steering Committee (PSC) will be established at national level to: i) provide policy guidance and strategic directions, ii) facilitate coordination to ensure alignment/complementarity of Programme interventions with other donors, and iii) ensure AWPB is prepared in a consultative manner. IFAD Supervision Missions and on the ground follow-up by field coordinator will provide guidance and closely monitor the effectiveness of coordination mechanism with stakeholders. The Programme will also be represented in the existing coordination mechanisms including agriculture cluster working group, and PA-EU joint investment partnership platform.		
Policy alignment	**Substantial**	**Substantial**
Risk: The Project is closely aligned with EU priorities and the National Strategies and Plans that were developed prior to the the events of 7 October. Due to the fluid situation as a result of the events of 7 October, there is still risk of misalignment due to rapidly shifting priorities due to a changing situation on the ground.		
Mitigations: The Project takes into consideration recent updates interim strategies and policies. E.g. MoA strategy on by focusing on agriculture cluster areas..		
Environment and Climate Context	**Substantial**	**Substantial**
Project vulnerability to climate change impacts	**Substantial**	**Substantial**

Risk: Risk of droughts and water scarcity during summer months as dry season is getting longer, and temperature is getting warmer.		
Mitigations: All climate risks will be included in the project's ESCMF with adaptation and mitigation measures to ensure that the project's investments are climate sensitive and sustainable. Around 25% of the project resources are expected to be spend on adaptation and mitigation investments.		
Project vulnerability to environmental conditions	**Substantial**	**Substantial**
Risk: Palestine suffers from water scarcity, water quality issues (especially in Gaza) and issues around restricted access to land resources.		
Mitigations: All the environmental risks will be included in the project's Environmental, Social and Climate Management Framework (ESCMF) with adequate capacity building to lending institutions to implement it. In general, the project will prioritize activities that improve natural resources management and do no harm to the environment.		
Project Scope	**Substantial**	**Substantial**
Technical Soundness	**Moderate**	**Moderate**
Risk: New product or service ideas may fail or not perform as planned due to complexity.		
Mitigations: Given the commercial interest and co-financing provided by private sector, this risk is minimized to some extent. Innovation and challenge fund will also provide support for technical assistance, research, feasibility, and piloting before commercialization to ensure products are properly developed and tested. Assessment of proposals will be made according to the guiding principles and rigorous criteria provided in PIM and considering evidence provided for demand in the market.		
Project Relevance	**Substantial**	**Substantial**
Risk: RUFIPP activities are relevant to the needs of the beneficiaries and in line with the GoP priorities. The fluid situation on the ground could change the needs of beneficiaries on the ground. Funding gap occurred due to the PAs limited fiscal space and inability to take up additional lending.		

Mitigations: Continue dialogue with the Government and co-financiers. Efforts will continue to mobilize additional co-financing from other interested donors after improved fiscal situation in the PA. Field officer will allow for continuous supervision and feedback to IFAD to course correct.		
Institutional Capacity for Implementation and Sustainability	**Moderate**	**Moderate**
Risk: Delayed development of the exit strategy as well limited capacity to take up technically complex innovations. Yet, overall, IFAD benefitted from extremely capable project staff in Palestine.		
Mitigations: Regular supervision by IFAD will ensure timely development of an exit strategy. Significant capacity building investments will provide resources to improve management capacities and increase human capital to take up innovations generated by the project.		
Monitoring and Evaluation Arrangements	**Low**	**Low**
Risk: IFAD experience in the country indicates that M&E capacities are generally strong. IFAD projects benefitted from effective monitoring tools, data management systems, and analytical approaches to improve decision making.		
Mitigations: Highly competent M&E staff will be recruited at PMU and PIU. Project Implementation Manual will provide step by step guidance in terms of setting up an effective system. Reporting requirements will be clarified and templates will be provided to participating institutions. M&E requirements will be discussed with all partners during the start-up workshop and an action plan will be developed. RUFIPP will also support the development of an IT system consolidating reporting across the participating institutions.		
Implementation Arrangements	**Moderate**	**Moderate**
Risk: Confusion regarding the roles and responsibilities between the two implementing Ministries.		

Mitigations: Capacity building activities and regular supervision by IFAD will minimize these risks. Capacity investments will provide resources to improve management capacities and increase human capital. This process will also inform regulatory authorities creating opportunities to build consensus on the strategic direction and Modus operandi of apex institutions involved. Confusion regarding the roles and responsibilities between the two implementing Ministries.		
Procurement		
Legal and regulatory framework	**Meduim**	**Meduim**
Risk(s): 1. The procurement Monitoring shows weaknesses 2. The public access to information shows weaknesses		
Mitigations: 1. RUFIPP will follow the IFAD Procurement Framework, Project Implementation Manual (PIM) and the PAL. 2. RUFIPP will guarantee that all Contract award notices under the project including what has been procured, the value of procurement and who has been awarded contracts will be published on the procurement portal of the Higher Council for Public Procurement Policies (HCPPP) and on the website of the General Supplies Department at the Ministry of Finance. 3. RUFIPP will guarantee that the following Key procurement information related to the project will be published on the Procurement Portal of the HCPPP and on the website of the General Supplies Department at Ministry of Finance: - Procurement Plans; - General Procurement Notice; - Specific Procurement Notices; - Contract award notices (purpose, contractor and value); - Data on resolution of procurement complaints (if any); a. Annual procurement statistics.		
Accountability and transparency	**Substantial**	**Substantial**
Mitigations: 1. RUFIPP will ensure that the procurement complaint management related to bidding and awarding processes are well handled by the Dispute Review Unit as per the provisions of the national Law and its regulations. 2. All bidders and contractors that will participate in procurement under RUFIPP should comply with the cross-debarment self-certification as provided by the IFAD Procurement Handbook 2020. RUFIPP will include in all Bidding Documents IFAD's self-certification Form. 3. IFAD through close follow up and supervision of RUFIPP will ensure the compliance with its policy on Preventing Fraud and Corruption in its Activities and Operations. RUFIPP will notify IFAD of any allegations of fraud or		

corruption relating to their projects and IFAD's hotlines for reporting corruption or harassment will be included in all bidding documents. 1. RUFIPP will guarantee that the project Procurement Plans, all Contract award notices and decisions on complaints resolutions (if any) will be published on the procurement portal of the HCPPP and on the website of the General Supplies Department at Ministry of Finance.		
Mitigations: 4. RUFIPP will ensure that the procurement complaint management related to bidding and awarding processes are well handled by the Dispute Review Unit as per the provisions of the national Law and its regulations. 5. All bidders and contractors that will participate in procurement under RUFIPP should comply with the cross-debarment self-certification as provided by the IFAD Procurement Handbook 2020. RUFIPP will include in all Bidding Documents IFAD's self-certification Form. 6. IFAD through close follow up and supervision of RUFIPP will ensure the compliance with its policy on Preventing Fraud and Corruption in its Activities and Operations. RUFIPP will notify IFAD of any allegations of fraud or corruption relating to their projects and IFAD's hotlines for reporting corruption or harassment will be included in all bidding documents. 1. RUFIPP will guarantee that the project Procurement Plans, all Contract award notices and decisions on complaints resolutions (if any) will be published on the procurement portal of the HCPPP and on the website of the General Supplies Department at Ministry of Finance.		
Capability in public procurement	**Substantial**	**Substantial**
Risk(s): 1- A PMU will be established at the Ministry of Finance (MOF) and will conduct the overall Project related procurement activities according to approved AWPBs and approved PPs. A PIU will be established at the Ministry of Agriculture and will support PMU in some procurement activities and will assume the responsibilities of the technical implementation aspect of the contracts. Some procurement activities under Farmer Business Schools sub-component will be carried out by FAO. MoF will sign a Memorandum of Understanding (MOUs) or Partnership Protocol with the Central Tenders Department at the Ministry of Public Works and Housing to collaborate with PMU in preparing works procurement if any. 2- The involvement of all these parties in the procurement process, especially since they are not yet established and dedicated to the project, makes the risk Substantial.		
Mitigations: 1- At the start-up of the project implementation, the Borrower will ensure that PMU and PIU will be staffed with qualified dedicated procurement staff. (The design mission prepared ToRs for the profiles of Procurement Officer --PIU- and Senior Procurement Officer -PMU-). Sould be respected.		

2- Training will be organized by IFAD for the benefit of the project teams with the start of the project as well as regular evaluations during missions to intervene for an upgrade whenever necessary.		
Public procurement processes:	**Low**	**Low**
Risk(s): 1. Bidders have to pay fees to obtain Bidding documents. Access to these documents by foreign economic operators is not straightforward. 2. Not all contract award notices are published except at the General Supplies Department at the Ministry of Finance. 3. Less than 3 bids/ proposals/ quotations can be accepted. 4. The submission deadlines as per the national procurement system is less than IFAD' deadlines. 5. Not all contracts are completed within the timeframe and contract value set in the contract.		
Mitigations: 1. RUFIPP will conduct International Competitive Procedures (ICB) following the instructions in IFAD's procurement Handbook 2020; the English version of the national bidding document will be use in ICB procedure. 2. All contract award notices will be published on the procurement portal of the HCPPP (www.shiraa.gov.ps) and on the website of the General Supplies Department at the Ministry of Finance (http://www.gs.pmof.ps); 3. Whenever the number of received bids/ proposals/ Quotations is less than three (3), the project will seek IFAD's No Objection. 4. The bid submission deadlines for every procurement methods will be applied as specified in the Procurement Plan. 1. RUFIPP will recruit a Senior Procurement Officer at PMU and a Procurement Officer at PIU to closely monitor all contracts' implementation and ensure their completion within the set deadline in the contracts.		
Financial Management		
Organization and staffing	**High**	**High**
Risk(s): While PMU shall be made up of relevantly qualified personnel with appropriate expertise in their chosen fields, there may be lack of PMU staff familiarity with IFAD and EU procedures. A fiscal crisis at country level may cause organisational and staffing issues due to civil servants unable to contribute to project activities.		
Mitigations: In order to mitigate this risk, IFAD FMD will provide capacity building training to the Finance Staff who will selected competitively. The capacity building will include familiarization with IFAD procedures on financial reporting, expenditures categorizations across components, categories, financial reporting timelines and other financial management related to the Programme.		
Budgeting	**Substantial**	**Substantial**
Risk(s): There may be a risk that annual work plans and budgets are not prepared or revised on a timely basis, and not executed in a coherent manner, resulting in funds not being available when needed, ineligible costs and reallocation		

of Programme funds and slow implementation progress. This risk is made higher by the complex structure of the project with several implementing entities involved.		
Mitigations: The Project Accountant of the PMU will coordinate the budget preparation processes with close coordination with Programme Coordinator. Budget monitoring will be carried out periodically, at least on quarterly basis and any significant deviations discussed within the project for remedial actions.		
Funds flow/disbursement arrangements	**Substantial**	**Substantial**
Risk(s): There is a risk of commingling of funds at the entity which will be provided with advances for implementation of project activities. These includes Ministry of Finance which will receive advances from IFAD and Ministry of Agriculture and PFESP which will receive advances through the Ministry of Finance. Also, in addition to EU/IFAD financing, there are Counterpart finances expected to be received from the State of Palestine.		
Mitigations: To mitigate on risks of commingled funds and ease of accounting of any advance provided, funds will be held in Programme dedicated accounts for which there will be monthly bank accounts reconciliation and financial reports. All partnering institutions that will receive funds from the PMU will sub- programme accounts for segregating the funds received. There will be monthly financial reports to PMU for monitoring operations of sub-accounts and consolidation. All partnering institutions will sign MoU with Ministry of Finance clearly highlighting the requirements for a separate bank account and financial reporting requirements.		
Internal controls	**High**	**High**
Risk(s): There may be a risk that appropriate controls over Programme funds are not in place, leading to the inefficient or inappropriate use of Programme resources. The reliance for project implementation on multiple stakeholders exacerbates this risk and reduces IFAD supervisory ability. Security situation may prevent IFAD from effectively supervising project activities on the ground.		
Mitigations: Internal controls have been instituted in the whole framework of financial and administrative procedures. The identified controls range from; proper record keeping and posting, authorization of accounting, procurement and administrative documents, balancing and checking, physical security of assets, double signing (approval) arrangements, to financial reporting and monitoring. There will be internal audit function, as noted below, to check overall compliance to internal controls and provide support towards improving systems, procedures and processes.		
Accounting and financial reporting	**High**	**High**
Risk(s): There is a risk of delays in implementation of accounting system and fill adoption of the same in accounting and generation of financial reports of the projects in line with IFAD requirements. Errors and delays may occur when consolidating project accounts due to the complex project structure.		

Mitigations: The Ministry of Finance will procure a financial management software which will be used for financial transactions recording and reporting in addition to Bisan system that is used for payments approvals as per Palestinian Authority (PA) procedures.		
External audit	**Substantial**	**Substantial**
Risk(s): Inadequate capacity of the State Auditor (SAACB) which has the mandate to audit any government accounts.		
Mitigations: The project will be audited by an independent and experienced private audit firm acceptable to IFAD and recruited on a competitive basis. As the State audit function is strengthened, IFAD may consider its reliance on the state audit to conduct the audit of the IFAD financed projects at portfolio level. The audit terms of reference and the selection of auditor for the audit opinion on the SOEs will be approved by IFAD in advance in line with the guidance provided in the IFAD Handbook on Financial Reporting and Auditing of IFAD-financed projects		
Environment, Social and Climate Impact		
Biodiversity conservation:	**Low**	**Low**
Risk(s): No risk envisaged as the project will not fund activities near areas with significant biodiversity value.		
Mitigations: No mitigation measures needed.		
Resource efficiency and pollution prevention:	**Meduim**	**Meduim**
Risk(s): The activities funded by the project will most likely improve resource efficiency with improved natural resources management and increased climate resilience. However, there remains a risk of pollution due to any construction/installation works.		
Mitigations: The ESCMF will contain measures on how pollution prevention and waste management will be ensured in activities funded by the project.		
Cultural heritage:	**Low**	**Low**
Risk(s): No risk envisaged as the project will not fund activities near areas with cultural or historical value.		
Mitigations: No mitigation measures needed.		
Indigenous Peoples:	**Low**	**Low**
Risk(s): No risk envisaged.		
Mitigations: No mitigation measures needed.		
Community health and safety:	**Meduim**	**Low**
Risk(s): Pandemics and other airborne diseased could threat communities in rural areas. The project activities may increase the mobilization of beneficiaries or other groups and thus increase the risk of spreading the infection		
Mitigations: The project will follow WHO guidelines and national guidelines including: i) limiting the number of beneficiaries in trainings and use of online tools when possible; ii) mandatory to wear face masks; iii) maintain the social distancing; and iv) using hand sanitizers.		
Labour and working conditions:	**Meduim**	**Meduim**

Risk(s): Project activities may cause exploitative labour practices (e.g. forced or child labour), gender-based violence, discriminatory and unsafe/unhealthy working conditions for people employed to work specifically in relation to the project, including third parties and primary suppliers.		
Mitigations: All contracts with service providers and other third parties to be financed with IFAD funds will include provisions prohibiting child labour and promoting decent work. The project has a gender strategy and will implement a gender action plan, which will also include measures to prevent and combat gender-based violence. The project will ensure close adherence to IFAD's environmental and social exclusion list, including by the financial institutions it will work with. Awareness raising on these issues will be done during start-up and trainings.		
Physical and economic resettlement:	**Low**	**Low**
Risk(s): No risk envisaged.		
Mitigations: No mitigation measures needed.		
Greenhouse gas emissions:	**Meduim**	**Meduim**
Risk(s): The risk of increasing greenhouse gas emissions is minimal due to the scale of activities that could be funded through the rural finance.		
Mitigations: The project will prioritize funding ideas that would help in reducing or capturing GHG emissions. In addition, the project will develop an ESCMF which will set out criteria for exclusion for projects with significant GHG emissions.		
Vulnerability of target populations and ecosystems to climate variability and hazards:	**Low**	**Low**
Risk(s): No risk envisaged. On the contrary, RUFIPP will focus on funding sub-projects that would increase climate resilience in rural areas.		
Mitigations: No mitigation measures needed.		
Stakeholders		
Stakeholder engagement/coordination:	**Meduim**	**Meduim**
Risk(s): The risk that relevant stakeholders are not identified, and/or of inadequate/insufficient information disclosure, consultation/coordination with and buy-in from stakeholders on project objectives, delivery of interventions and promotion of sound environmental and social practices, resulting in misunderstandings or opposition by stakeholders, or duplication/ inconsistencies between partners working in the same target area that may undermine project implementation and achievement of project development objectives		
Mitigations: The project will adopt a client-centric and participatory approach to ensure that the products and services offered are tailored to the needs of beneficiaries. Public Debate Fora will be organised by the project at regular intervals with key policy makers, financial sector institutions, credit cooperatives, donors, MFI clients, etc. to share experiences. To the extent possible, the project will also		

leverage the rural clusters and platforms to disseminate information and receive feedback.		
Stakeholder grievances:	**Meduim**	**Meduim**
Risk(s): Grievances registered by target beneficiaries and stakeholders may not be effectively addressed and corrective measures taken by the project due to lack of information or misinformation about the systems in place. Beneficiary grievance might escalate through litigation.		
Mitigations: The project will utilise existing grievance redress mechanisms and have a dedicated officer in the PMU that will be responsible to ensure recorded grievances are addressed. Stakeholders will be informed about the GRM during project sensitization sessions.		