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CONFORMED COPY

GRANT NUMBER TF094776 GZ

Development Policy Trust Fund Grant Agreement

**(Palestinian Reform and Development Plan- Second Development Policy Trust
Fund Grant)**

between

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

and

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

Dated July 15, 2009

GRANT NUMBER TF094776 GZ

DEVELOPMENT POLICY TRUST FUND GRANT AGREEMENT

Agreement dated July 15, 2009, entered into between the PALESTINE LIBERATION ORGANIZATION (the “Recipient”), for the benefit of the Palestinian Authority, and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “World Bank”), acting as administrator (the “Administrator”) of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3 and Resolution No. 96-11 and IDA 96-7, and as further amended by Resolution No. 99-3 and IDA 99-2 and Resolution No. 03-193 and IDA 03-208 of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the “Trust Fund”), for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) has resolved, on July 10, 2009, to, *inter alia*, replenish the Trust Fund in the amount of fifty five million dollars (\$55,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip (“Gaza”) and the West Bank (the “West Bank”), which are under the jurisdiction of the Palestinian Authority;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, among other things, sets out certain interim self-government arrangements in Gaza and the West Bank (the “Interim Agreement”);

(C) Section 5(b) of Article IX of the Interim Agreement authorizes the Palestine Liberation Organization to conduct negotiations and, in certain cases described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority;

(D) the Palestinian Authority prepared the PRDP containing a 3-year fiscal framework on the basis of which donors committed support at the Paris donor conference in December of 2007. The World Bank assisted in financing the Program under a first development policy trust fund grant agreement dated June 9, 2008;

(E) The World Bank has received from the Palestinian Authority a letter of development policy dated April 8, 2009, setting out key commitments from the PRDP (“LDP”);

(F) the Palestinian Authority, on behalf of the Recipient, has requested the World Bank to assist in financing the Program under this second development policy trust fund grant agreement; and

(G) the Administrator has decided to provide this financing to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, on the basis, *inter alia*, of (a) the foregoing; (b) the actions which the Recipient has already taken to the satisfaction of the Administrator under the Program and which are described in Section I of the Schedule to this Agreement, and (c) the Recipient's maintenance of an appropriate macro-economic policy framework.

The Recipient and the Administrator therefore hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

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

ARTICLE II - GRANT

- 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to forty million United States Dollars (US\$40,000,000) ("Grant") to assist in financing the Program.
- 2.02. The Recipient may withdraw the proceeds of the Grant in support of the Program in accordance with Section IV of the Schedule to this Agreement.

ARTICLE III - PROGRAM

- 3.01 The Recipient declares its commitment to the Program and its implementation.

To this end:

- (a) the Recipient shall cause the Palestinian Authority to work towards the implementation of, and carry out, the Program with due diligence and efficiency, and in accordance with the provisions of this Agreement;

- (b) the Recipient shall cause the Palestinian Authority to exchange, from time to time, views with the Administrator on the progress achieved in carrying out the Program, at the request of either party;
- (c) prior to each such exchange of views, the Recipient shall cause the Palestinian Authority to furnish to the Administrator for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Administrator shall reasonably request;
- (d) the Recipient shall cause the Palestinian Authority to furnish all information covering the implementation of the Program and the use of proceeds of the Grant as the Administrator shall reasonably request;
- (e) without limitation upon the provisions of paragraphs (b) and (c) of this Section, the Recipient shall cause the Palestinian Authority to promptly inform the Administrator of any situation that would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any of the actions which the Recipient has already taken under the Program and which are described in Section I of the Schedule to this Agreement; and
- (f) without limitation upon the provisions of paragraphs (b), (c) and (e) of this Section, the Recipient shall cause the Palestinian Authority to participate in consultation meetings with the Administrator and the International Monetary Fund (“IMF”), to take place every calendar quarter (or more often, as required, at the reasonable request of the Administrator or the Recipient).

ARTICLE IV - REMEDIES OF THE WORLD BANK

- 4.01. The Additional Events of Suspension referred to in the re-lettered Section 4.02(i) of the Standard Conditions consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be implemented or carried out.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Administrator has been furnished to the Administrator that the condition specified below has been satisfied, namely that the Subsidiary Agreement referred to in Section III of the Schedule to this Agreement has been executed on behalf of the Recipient and the Palestinian Authority.

- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (b) the Subsidiary Agreement referred to in Section III of the Schedule to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Administrator may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority.
- 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

H.E. Dr. Salam Fayyad
Prime Minister and Minister of Finance
Palestinian Authority
Ramallah, West Bank and Gaza

Telephone:

Facsimile:

970-2-297 8846

970-2-297 8845

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

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

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

By /s/ Salam Fayyad

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Dina N. Abu-Ghaida

Authorized Representative

SCHEDULE

Program Actions; Program Monitoring; Availability of Grant Proceeds

Section I. Actions Taken under the Program

The actions taken by the Recipient under the Program to the satisfaction of the Administrator include the following:

1. A control system through which the Ministry of Finance ensures that public sector hiring is in line with the Palestinian Authority's budget is being implemented.
2. The Council of Ministers has issued Resolution 51/98/12/m.w/s.f of 2009 which provides support on a declining schedule to local governments distributing electricity that demonstrate that they have paid the Israeli Electric Company in full.
3. A new electricity law, Law Number 13 of 2009, was enacted on April 23, 2009, establishing, *inter alia*, Palestinian Energy and Regulatory Commission (PERC) as the regulatory authority for the power sector and providing the Palestinian Energy and Natural Resources Authority (PENRA) with the authority to set tariffs and to license electricity distributors.
4. The Council of Ministers has issued Resolution number 08/96/12/m.w/s.f of 2009, which integrates all cash assistance programs into the Ministry of Social Affairs.
5. The 2009 annual budget law has been approved which, *inter alia*, introduces the use of a program structure to make a combined presentation of the recurrent and development budgets for each line ministry.
6. The Council of Ministers has issued Resolution number 51/103/12/m.w/s.f of 2009, which amends the financial regulation 43 for the year 2005, to provide the regulatory backing for the new computerized accounting system.
7. The PA has prepared and submitted to the Bank an annual cash plan to guide budget execution in 2009, that incorporates actual monthly cash flows and updated forecasts.
8. The board of directors of the MDLF has adopted clear criteria for performance based transfers of monetary grants to municipalities.
9. A management letter has been submitted by the MDLF, confirming that the MDLF has completed the pilot phase of the new financial management information system for small, medium and large municipalities in eight municipalities.

Section II. Program Monitoring, Reporting and Evaluation

A. Program Monitoring and Reporting

1. The Recipient shall, through the Palestinian Authority, monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of re-numbered Section 2.05 of the Standard Conditions that set out progress on the implementation of the Program in accordance with the LDP. Each Program Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Administrator not later than one (1) month after the end of the period covered by such report.

2. The Recipient shall, on request by the Administrator, through the Palestinian Authority, prepare the Completion Report in accordance with the provisions of re-numbered Section 2.05 of the Standard Conditions. The Completion Report shall be furnished to the Administrator not later than June 30, 2010.

B. Audit

The Recipient shall:

1. have the Deposit Account (as defined in Section IV C of this Schedule) audited by independent auditors acceptable to the Administrator, in accordance with consistently applied auditing standards acceptable to the Administrator;

2. furnish to the Administrator as soon as available, but in any case not later than six (6) months after the withdrawal of the proceeds of the Grant, a certified copy of the report of such audit, of such scope and in such detail as the Administrator shall reasonably request; and

3. furnish to the Administrator such other information concerning the Deposit Account and its audit as the Bank shall reasonably request.

Section III. Subsidiary Agreement

1. To facilitate the carrying out of the Program, the Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a Subsidiary Agreement between the Recipient and the Palestinian Authority, under terms and conditions approved by the Administrator.

2. The Recipient shall cause the Palestinian Authority: (i) to perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority therein set forth; (ii) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Program; and (iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Program.

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

Section IV. Availability of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section and (c) such additional instructions as the Administrator may specify by notice to the Recipient.

2. The withdrawal must be made before the Closing Date.

B. Allocation of Financing Amounts

The Grant shall be withdrawn in a single tranche.

C. Deposits of Grant Amount

Except as the Administrator may otherwise agree:

1. The Recipient shall cause the Palestinian Authority to open, prior to furnishing to the Administrator the request for withdrawal from the Grant Account, and thereafter maintain, a deposit account (“Deposit Account”) on terms and conditions satisfactory to the Administrator.

2. The Deposit Account shall be opened by the Palestinian Authority under the bank account of the Ministry of Finance of the Palestinian Authority (“Central Treasury Account”) and shall be used solely for the purposes of carrying out the Program.

3. All withdrawals from the Grant Account shall be deposited by the Administrator into the Deposit Account.

4. The Recipient shall cause the Palestinian Authority to ensure that upon each deposit of a withdrawal from the Grant Account into the Deposit Account an equivalent amount is accounted for in the Palestinian Authority’s budget management system, in a manner acceptable to the Administrator.

D. Excluded Expenditures

The Recipient shall cause the Palestinian Authority to undertake that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the Administrator

determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Administrator, cause the Palestinian Authority to refund an amount equal to the amount of such payment to the Administrator. Amounts refunded to the Administrator upon such request shall be cancelled.

E. Closing Date

The Closing Date is December 31, 2009.

APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure:
- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the World Bank has financed or agreed to finance, or which the World Bank has financed or agreed to finance under another trust fund credit, or trust fund grant;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

| Group | Sub-group | Description of Item |
|-------|-----------|---|
| 112 | | Alcoholic beverages |
| 121 | | Tobacco, un-manufactured, tobacco refuse |
| 122 | | Tobacco, manufactured (whether or not containing tobacco substitutes) |
| 525 | | Radioactive and associated materials |
| 667 | | Pearls, precious and semiprecious stones, unworked or worked |
| 718 | 718.7 | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors |
| 728 | 728.43 | Tobacco processing machinery |

| Group | Sub-group | Description of Item |
|-------|-----------|---|
| 897 | 897.3 | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971 | | Gold, non-monetary (excluding gold ores and concentrates) |

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws in effect in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority or international agreements to which the Recipient or the Palestinian Authority is a party;
 - (e) in the territories (other than the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority) of any country which is not a member of the World Bank or for goods procured in, or services supplied from, such territories;
 - (f) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (g) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Palestinian Authority or of a beneficiary of a Grant without the Recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
2. "MDLF" means the municipal development and lending fund, established pursuant to the PLO's Decree of the Council of Ministers No. 05/34/mim.waw.alf.qaf of 2005.

3. “Ministry of Finance” means the Ministry of Finance of the Palestinian Authority and includes any successor thereto.
4. “Ministry of Social Affairs” means the Ministry of Social Affairs of the Palestinian Authority and includes any successor thereto.
5. “PRDP” means the Palestinian Reform and Development Plan (PRDP 2008-2010) prepared by the Palestinian Authority and dated December 17, 2007.
6. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty, as set forth or referred to in the PRDP and outlined in the LDP, declaring the Recipient’s commitment to the implementation and execution of the Program and requesting assistance from the World Bank in support of the Program during its execution.
7. “Subsidiary Agreement” means the agreement referred to in Section III of the Schedule to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (*Project Execution Generally*) and 2.07 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.04. (*Documents; Records*). The Recipient shall ensure that:

... (c) all records evidencing expenditures under the Grant are retained until two years after the Closing Date;”
4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.05. (*Program Monitoring, Reporting and Evaluation*). The Recipient shall:

... (b)(ii) ensure the preparation and delivery to the World Bank, not later than the date specified for that purpose in the Grant Agreement, one or more completion reports (“Completion Reports”) of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.”

5. Section 2.07. (*Visits*) (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.07. *Visits*. The Recipient shall, throughout the implementation of the Program and for a period of ten (10) years thereafter:

- (a) enable representatives of the World Bank and the IMF to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Grant; and
- (b) enable the World Bank’s representatives and the IMF: (i) to visit any facilities and sites included in the Program; and (ii) to examine any documents relevant to the performance of its obligations under the Grant Agreement.”

6. The last sentence of paragraph (c) of Section 3.04 (*Applications; Supporting Evidence*) is deleted in its entirety.
7. Sections 3.05 (*Designated Accounts*) and 3.06 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.
8. Sub-section (a) of Section 3.05 (*Financing Taxes*) (renumbered as such pursuant to paragraph 7 above) is modified to read as follows:

“Section 3.05. *Financing Taxes*.

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

required to ensure consistency with such limitation on withdrawals.”

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

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

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

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

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

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

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

13. Re-lettered Sub-section (g) of Section 4.02 is amended to read as follows:
 “(g) *Condition of Recipient.* If the Grant has been made to a Recipient which is not a member of IBRD:
- (i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Recipient (or of any other entity responsible for implementing any part of the Program).
 - (ii) The Recipient (or any other entity responsible for implementing any part of the Program) has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.
 - (iii) In the opinion of the World Bank, the legal character, ownership or control of the Recipient (or any other entity responsible for implementing any part of the Program) has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Program.”
14. Re-lettered Sub-section (h) of Section 4.02 is amended to read as follows:
 “(h) *Ineligibility.* IBRD or IDA has declared the Recipient ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA.”
15. Sub-section (c) of Section 4.03 is amended to read as follows:
 “(c) *Fraud and Corruption.* At any time, the World Bank determines, with respect to any amount of the proceeds of the Grant, that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any other recipient of the proceeds of the Grant) without the Recipient (or any such agency thereof or any such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or any such other recipient of the proceeds of the Grant) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”

16. Sub-section (a) of Section 4.05 is amended to read as follows:
 - “(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation:
 - (i) use of such amount to make a payment for an expenditure that is not an Eligible Expenditure; or
 - (ii) (A) engaging in corrupt, fraudulent, collusive or coercive practices in connection with the use of such amount, or (B) use of such amount to finance a contract during the procurement or execution of which such practices were engaged in by representatives of the Recipient (or any agency thereof or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other recipient of such amount of the Grant), in either case without the Recipient (or such agency thereof or such entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.”
17. Sub-section (j) of Section 5.03 is amended to read as follows:

“(j) If, within thirty (30) days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.”
18. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).
19. The following terms and definitions set forth in the Appendix to the Standard Conditions are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix to the Standard Conditions as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditures” means any use to which the Grant is put in support of the Program other than to finance expenditures excluded pursuant to the Grant Agreement.

- (b) The term “Financial Statements” and its definition as set forth in the Appendix to the Standard Conditions are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program” means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program”.