

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF 094496-GZ

Trust Fund Grant Agreement

(Southern West Bank Solid Waste Management Project)

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 14, 2009

GRANT NUMBER TF 094496-GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 14, 2009 between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the “Recipient”) 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”).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) has resolved, on June 4, 2008, 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; and

(D) the Palestinian Authority, on behalf of the Recipient, has requested the World Bank to assist in financing the project described in Schedule 1 to this Grant Agreement (the “Project”).

WHEREAS the World Bank has agreed, on the basis, among other things, of the foregoing to extend the Grant to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, upon the terms and conditions set forth in this Grant Agreement.

Article I
Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”), with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause the JSC-H&B (as defined in the Appendix to this Agreement) to carry out the Project through the TOU (as defined in the Appendix to this Agreement) in accordance with the provisions of Article II of the Standard Conditions and this Agreement.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to twelve million United States Dollars (\$12,000,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV
Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following, namely that the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:
- (a) the TOU has a financial management system in place, including an operational computerized accounting and reporting system, acceptable to the World Bank, and the Financial Manual has been completed, approved by JSC-H&B and adopted by the Recipient, in form and substance satisfactory to the World Bank;
 - (b) the Recipient has provided evidence satisfactory to the World Bank that all land required for the Project has been acquired by JSC-H&B (or temporarily acquired by long term lease of at least twenty years and JSC-H&B has taken possession of the land under the corresponding lease agreement), in compliance with the Resettlement Action Plans, including a legal opinion from legal counsel acceptable to the World Bank confirming that the legal documents relating to the land acquisition have been executed and delivered on each party's behalf, by the confirmed legal owners of the land, and are legally binding upon each party in accordance with their respective terms, in form and substance satisfactory to the World Bank;
 - (c) the Operational Manual has been completed, approved by JSC-H&B and adopted by the Recipient, in form and substance satisfactory to the World Bank; and
 - (d) the Social Committee has been established and mandated by the JSC-H&B and provided with the authority necessary to address grievances, in a manner acceptable to the World Bank.

- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
 - (b) the Subsidiary Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms; and
 - (c) the On-Granting Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Palestinian Authority and the JSC-H&B and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank 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 World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

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

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

Ministry of Finance of the Palestinian Authority
Ramallah
West Bank

Facsimile:

02 240 0595
02 295 1231
02 297 8831

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

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

Cable:

Telex:

Facsimile:

INDEVAS

248423 (MCI) or

1-202-477-6391

Washington, D.C.

64145 (MCI)

AGREED at 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
(as Administrator of the Trust Fund for Gaza and West
Bank)

By /s/ Dina N. Abu-Ghaida

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve solid waste disposal services for the communities and businesses of Palestinian municipalities and joint services councils in the Bethlehem and Hebron governorates, through provision of an efficient socially acceptable and environmentally friendly mechanism, including (i) strengthening the joint services council administrative and technical capabilities for a cost-effective management of waste disposal services; (ii) improving the waste disposal services, through provision of a sanitary landfill facility and related infrastructure; and (iii) carrying out a public awareness campaign for promoting waste minimization, resource recovery and cost recovery for financial viability.

The Project consists of the following parts:

Part 1. Institutional Strengthening and Public Awareness

(a) Capacity building of the JSC-H&B to improve the JSC-H&B's institutional and human resources capacity in policy, operational and administrative aspects of solid waste management, through the financing of consultants' services, workshops, study tours, campaigns and training.

(b) Capacity building and strengthening of the Environmental Quality Authority ("EQA") in monitoring and reporting on environmental aspects in the performance of transfer stations, landfill facilities, and the closure and rehabilitation for interim use of dump sites, through the financing of consultants' services, workshops and training.

(c) Raising public awareness on solid waste management at the regional and local level and strengthening relations with beneficiary communities, through the financing of consultants' services, workshops, training and awareness campaigns.

Part 2. Development and implementation of solid waste management investments

(a) Design, construction and operation of a sanitary landfill facility in the vicinity of Al-Menya in Bethlehem Governorate, including associated infrastructure (including, but not limited to, service roads, access roads, water and electricity connections, administration and storage buildings) and rehabilitation of existing associated infrastructure through the financing of goods, civil works and consultants' services.

(b) Construction and operation of a transfer station in Hebron governorate, including installation of waste compactors, through the financing of goods, civil works and consultants' services.

(c) Construction and installation of waste recycling pilots at the landfill facility to be constructed under Part 2(a) of the Project, through the financing of civil works and consultants' services.

(d) Supply of operational equipment for the landfill to be constructed under Part 2(a) of the Project (bulldozers, compactors and loaders), through the financing of goods;

(e) Supply of waste containers and waste container hauling vehicles for the transfer station to be installed under Part 2(b) of the Project, through the financing of goods; and

(f) Clean-up, rehabilitation and closure of existing uncontrolled dumpsites in the Bethlehem and Hebron governorates, through the financing of goods, civil works, and consultants' services.

Part 3. Innovation window for waste recycling and composting

Carrying out of a study on:

- (i) the feasibility and design of pilot projects for waste collection optimization, waste minimization, and waste recovery for recycling and composting, including plans towards organizing waste pickers into commercially-viable service organizations; and
- (ii) the implementation of pilot schemes in waste recycling which will include investments required to launch small businesses or cooperatives, or both,

through the financing of consultants' services.

Part 4. Project Management support

Strengthening project management, through the provision of consultants' services and the financing of Incremental Operating Costs of the TOU.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements and Implementation Covenants

1. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to maintain overall responsibility for the Project, including adequate compliance with the World Bank's fiduciary and safeguards requirements.

2. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to be responsible for, among other things, waste treatment and disposal methodologies, private sector engagement, the development of policies and plans for the improvement of solid waste disposal for the southern West Bank, approving tariff policies, monitoring the performance of operations, ensuring the compliance with laws and regulations, and coordinating and cooperating with municipalities and with key Palestinian Authority agencies, amongst them the Ministry of Local Government ("MoLG") and EQA. To carry out its functions, the Recipient shall cause the JSC-H&B to maintain, throughout the life of the Project, the TOU in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the World Bank (including an executive director, a financial officer, a procurement officer, an environment specialist, an administrative assistant and the Social Specialist). The JSC-H&B shall oversee the performance of the TOU.

3. The Recipient shall, through the Palestinian Authority, cause the TOU to maintain responsibility for planning, executing and managing operations in relation to the Project, including, among other things, billing and collection of services, procurement activities, including preparation of tender documents in relation to the Project, reporting, ensuring adequate compliance with the World Bank's fiduciary and safeguards requirements in relation to the Project, carrying out meetings with the World Bank and other donors to review progress and implementation of the Project, developing the Landfill Operational Manual, ensuring and overseeing the compliance of JSC-H&B municipalities and any private or public sector organizations using the waste management facilities under its jurisdiction with environmental laws and regulations for the disposal of waste, ensuring the eligibility of waste disposed at the facilities, and developing the Non Eligible Waste Guidelines.

4. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to carry out the Project, through the TOU, in accordance with the provisions of the Operational Manual, the Disbursement Plan, the Project Designs, the Landfill Operational Manual, the Financial Manual, the Procurement Plan, the Resettlement Action Plans, the Environmental Management Plan, the ESIA and all other construction

and other permits and approvals from any relevant authorities in connection with the Project.

5. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to ensure that all civil works under Part 2 of the Project are carried out in compliance with the Project Designs.

6. The Recipient, through the Palestinian Authority, shall cause the Environmental Quality Authority to maintain responsibility for the independent monitoring of compliance with the Environmental Management Plan and ESIA, environmental laws and regulations during the construction and operation activities under the Project.

7. The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the Operational Manual, the Landfill Operational Manual, the Financial Manual, the Disbursement Plan, the Project Designs, the Procurement Plan, any Resettlement Action Plan, the ESIA and the Environmental Management Plan without prior approval of the World Bank. The Recipient shall, through the Palestinian Authority, ensure that the JSC-H&B or TOU do not amend, suspend, abrogate, repeal or waive any provision of the Operational Manual, the Landfill Operational Manual, the Financial Manual, the Disbursement Plan, the Project Designs, the Procurement Plan, any Resettlement Action Plan, the ESIA and the Environmental Management Plan without prior approval of the World Bank.

8. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to take all action, including the provisions of funds, facilities, services and other resources necessary or appropriate for the carrying out of the Project and not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

9. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to maintain the Social Specialist of the TOU with terms of reference and qualifications satisfactory to the World Bank. The Social Specialist shall be responsible, among other things, for (i) ensuring that the actions carried out under Part 2 of the Project are implemented working closely with the surrounding municipalities, concerned private sector organizations, non-governmental organizations, relevant ministries and other relevant stakeholders and (ii) assisting in implementing, and for monitoring and reporting on the progress on, the social risk mitigation measures under the Project and the Resettlement Action Plans.

10. The Recipient shall, through the Palestinian Authority, ensure that no civil works and construction under Part 2(a) of the Project are commenced until:

(a) all necessary and appropriate final permits and approvals, including construction and access permits, for the landfill and related infrastructure, in form and substance satisfactory to the World Bank, have been issued by the relevant authorities and obtained by the Recipient;

(b) the Project Designs have been submitted to and approved by the JSC-H&B and the World Bank; and

(c) a construction supervision and contract management firm, satisfactory to the World Bank, has been hired, and is maintained, by the TOU for the supervision of construction of the facilities under Part 2 (a) of the Project.

11. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to ensure that the TOU prior to completion of construction under Part 2 (a) of the Project:

(a) either (i) procures the services of a managing contractor, or managing contractors, for the operation of the new landfill facility and related infrastructure constructed under Part 2 (a) and (b) of the Project; or (ii) hires operating staff for the new facility and related infrastructure constructed under Part 2 (a) and (b) of the Project, each in a manner, and with Operational Management Contracts, satisfactory to the World Bank;

(b) completes the development of the Landfill Operational Manual, approved by the JSC-H&B and in form and substance satisfactory to the World Bank; and

(c) completes the development of the Non Eligible Waste Guidelines, in form and substance satisfactory to the World Bank.

12. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to ensure that JSC-H&B municipalities and any private or public sector organizations using the waste management facilities under its jurisdiction comply with environmental laws and regulations for the disposal of waste, the Landfill Operational Manual and the Non Eligible Waste Guidelines.

13. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to hire a consulting firm or non-governmental organization, satisfactory to the World Bank, within 90 days after the Effective Date, to (i) develop specific recommendations on the social risk mitigation measures under Part 2(f) of the Project to ensure that conditions are in place to protect such affected people in a manner satisfactory to the World Bank and in compliance with the respective Resettlement Action Plan and (ii) to assist the Social Specialist and the Social Committee in the implementation of the social risk mitigation measures under the Project, as set forth in the Resettlement Action Plans, the ESIA, the Environmental Management Plan and the Operational Manual and in a manner satisfactory to the World Bank. Immediately upon receipt of the specific recommendations by the consultant referred to above, the Recipient shall, through the Palestinian Authority, cause the JSC-H&B, to ensure that the relevant Resettlement Action Plan is (i) updated to reflect the measures and mechanisms developed by the consultant and (ii) disclosed following such update, each in a manner satisfactory to the World Bank.

14. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to hire an environmental safeguards consultant, satisfactory to the World Bank, to monitor the environmental impacts of the Project and compliance with the ESIA and the Environmental Management Plan, carry out regular testing and produce monthly inspection reports to EQA, the TOU and the World Bank.

15. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to hire, within 90 days of the Effective Date, an internal auditor, acceptable to the World Bank, to produce internal audits of the JSC-H&B and support the JSC-H&B in building its financial management capacity.

16. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B: (a) to maintain the Social Committee comprising of the mayor of Yatta, the chairman of the Rural Dura joint services council, the mayor of Bani Naim, the chairman of Rural Yatta joint services council, the TOU's executive director, the Social Specialist and the consultant to be contracted under paragraph 13 of Section I.A of Schedule 2 to this Agreement; (b) to mandate and empower the Social Committee to carry out further consultations with the affected people referred to in the relevant Resettlement Action Plan and to arrive at mutually agreed grievance measures and implementation mechanisms, acceptable to the World Bank; (c) to hear any grievances from such affected people; (d) to be bound by any decision the Social Committee takes in relation to the affected people and to implement such decision with efficiency and due diligence, through a process acceptable to the World Bank and to reach an outcome satisfactory to the World Bank; and (e) to use for the purpose of implementing the measures and decisions taken by the Social Committee the resources that have been committed and set aside for this purpose under the Project.

17. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU to ensure that no actions are carried out under Part 2(f) of the Project which could negatively affect the people referred to in the relevant Resettlement Action Plan until the obligations under paragraphs 13 and 16 of Section I.A of Schedule 2 to this Agreement have been complied with.

18. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B to ensure that no site located on privately-owned land leased to a municipality is closed down under Part 2(f) of the Project until the following conditions have been met in relation to the respective site and its applicable lease agreement: (i) the non-renewal of the lease has been agreed between the affected landowner, the respective municipality and the JSC-H&B's land acquisition committee; and (ii) an advance notice of non-renewal of lease, in accordance with the terms of the respective lease agreement, applicable law and the time frames set out in the relevant Resettlement Action Plan, has been received by the affected landowner.

19. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, to prepare, under terms of reference satisfactory to the World Bank, and furnish to the

World Bank at least fourteen (14) days prior to the Project's mid-term review a mid-term evaluation report integrating the results of the monitoring and evaluation activities performed under the Project, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

B. Subsidiary Agreement and On-Granting Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Palestinian Authority, under terms and conditions approved by the World Bank, which shall include the following:

(a) the Palestinian Authority shall on-grant the proceeds of the Grant to the JSC-H&B under an on-granting agreement ("On-Granting Agreement") to be entered into between the Palestinian Authority and the JSC-H&B, under terms and conditions identical to the financial terms of this Agreement and under terms and conditions approved by the World Bank; and

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

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

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-Corruption Guidelines").

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU, to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. The first two such Project Reports after the Effective Date shall cover the period of one (1) calendar quarter and shall be furnished to the World Bank not later than twenty (20) days after the end of the period covered by such report. Each Project Report thereafter shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than twenty (20) days after the end of the period covered by such report.

2. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU, to prepare the Completion Report and related plan in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

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

2. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU, to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU, to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

4. The Recipient shall, through the Palestinian Authority, cause the JSC-H&B, through the TOU, to have the JSC-H&B's complete financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each such audit of JSC-H&B's financial statements shall cover the period of one (1) fiscal year of JSC-H&B. JSC-H&B's audited financial statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").

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

B. Particular Methods of Procurement of Goods, Works and Non-Consultants' Services

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

2. **Other Methods of Procurement of Goods, Works and Non-Consultants' Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consultants' services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out below; (b) Shopping; and (c) Direct Contracting. The procedures to be followed for National Competitive Bidding under (a) shall include the following additional procedures:

- (i) public enterprises in parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Palestinian Authority;

- (ii) foreign bidders shall be eligible to participate under the same conditions as local bidders. In particular, no preference over foreign bidders shall be granted to local bidders in bid evaluation;
- (iii) invitations to bid shall be advertised on at least two (2) consecutive days in a local newspaper of wide circulation, and prospective bidders shall be allowed a minimum of thirty (30) days between the date on which the notification appears for the first time and the deadline for bid submission. With the specific approval of the World Bank, this minimum period of thirty (30) days may be reduced to a minimum period of ten (10) days in the case of emergency operations;
- (iv) qualification criteria shall be clearly specified in the bidding documents, and *all* criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. The fact that a bidder meets or surpasses the specified qualification criteria shall not be taken into account in the evaluation of such bidder's bid;
- (v) evaluation criteria shall be clearly specified in the bidding documents, and all evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and *only* criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation;
- (vi) if classification of contractors is required, contractors that have not yet been classified but meet the required qualifications shall be enabled to obtain the necessary classification during the bidding procedures. Any contractor that has been classified in a class higher than the lowest class shall not be restricted to bidding in his own class but shall be eligible also to bid in any lower class;
- (vii) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;
- (viii) bids shall be opened in the presence of bidders who wish to attend, and immediately after the deadline for bid submission. Said deadline, and the place of bid opening, shall be announced in the invitation to bid. The name of each bidder, and the amount of his bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be

signed by the members of the bid opening committee immediately after bid opening;

- (ix) bids received after the deadline for bid submission shall be returned to the bidders unopened;
- (x) a bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened;
- (xi) the bid evaluation shall be carried out in strict adherence to the criteria specified in the bidding documents, and the contract shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid;
- (xii) a bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify his bid as originally submitted;
- (xiii) there shall be no post-bidding negotiations with the lowest or any other bidder; and
- (xiv) until standard bidding documents acceptable to the World Bank have been introduced by the Recipient, the standard bidding documents of the World Bank shall be used.

C. Particular Methods of Procurement of Consultants' Services

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

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-Based Selection; (b) Selection based on Consultants' Qualifications; (c) Least Cost Selection; (d) Single-source Selection; (e) Selection of Individual Consultants; and (f) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Consultants' services and Training under Part 1(a) and (c) of the Project.	150,000	100%
(2) Goods, works and services under Part 2(a) and (f) of the Project.	10,770,000	100%
(3) Consultants' services under Part 3 of the Project.	200,000	100%
(4) (a) Incremental Operating Costs; and	350,000	100% from and including January 15, 2009 to and including December 31, 2010; 90% from and including January 1, 2011 to and including December 31,

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(b) consultants' services, audit and Training under Part 4 of the Project	530,000	2011; 70% from and including January 1, 2012 to and including December 31, 2012; 50% from and including January 1, 2013 to and including December 31, 2013; 0% from and including January 1, 2014 and thereafter. 100%
TOTAL AMOUNT	<u>12,000,000</u>	

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

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$250,000 equivalent may be made for payments made prior to this date but on or after January 15, 2009 for Eligible Expenditures under Categories (2) and (4).

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 30, 2014.

APPENDIX

Section I. Definitions

1. “Disbursement Plan” means the work plan dated March 31, 2009, setting forth the projected disbursement targets and modalities for disbursements under the Project.
2. “Environmental Management Plan” means the Recipient’s environmental management plan included in the ESIA for the Project as updated on April 7, 2009, to be furnished to the World Bank prior to the date of effectiveness of the Project, as such plan may be updated from time to time by agreement between the Recipient and the World Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the World Bank.
3. “ESIA” means the Recipient’s environmental and social impact assessment report identifying and assessing the potential environmental and social impacts of the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures, including the Environmental Management Plan, as updated and furnished to the Administrator on April 7, 2009, as such ESIA may be updated, revised or amended from time to time by agreement between the Recipient and the Administrator.
4. “Financial Manual” means the Recipient’s financial management manual describing, among other things the procedures governing accounting and financial management, including sample formats for periodic reports, as the same may be amended from time to time with the agreement of the World Bank.
5. “Incremental Operating Costs” means incremental recurrent expenditures incurred by the TOU in connection with the Project on account of office rental and utilities, communication costs, operation and maintenance of vehicle and equipment, vehicle rental, travel costs associated with Project implementation, and salaries of contractual staff, but excluding salaries of officials of the Recipient’s civil services.
6. “JSC-H&B” means the Higher Joint Services Council for Solid Waste Management in Hebron and Bethlehem, established pursuant to the decision by the Recipient’s Minister of Local Government dated July 12, 2007, under the articles of the Recipient’s Local Government Law of 1997.
7. “Landfill Operational Manual” means the landfill operational manual to be developed by the TOU under the Project setting out the rules and procedures to be complied with in the operation of the landfill and related infrastructure

constructed under Part 2 (a) of the Project, including, but not limited to, procedures relating to tariffs, billing and collection.

8. “Non Eligible Waste Guidelines” means the guidelines and procedures for the management of non-eligible wastes (including, but not limited to, hazardous waste, medical waste and inert waste material from construction) to be developed by the TOU for municipal councils to enforce compliance with disposal in accordance with environmental laws, Environmental Quality Authority policies and regulations.
9. “On-Granting Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Palestinian Authority shall make the proceeds of the Grant available to the JSC-H&B.
10. “Operational Manual” means the Recipient’s operations manual, describing the detailed procedures for the carrying out and implementation of the Project, including the manual on the detailed procurement procedures for the Project, consistent with the provisions of this Agreement and with applicable laws and regulations, in form and substance satisfactory to the World Bank.
11. “Operational Management Contract” means any operational management contract for the operational management of the landfill and related infrastructure, in form and substance satisfactory to the World Bank.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 24, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of those paragraphs.
13. “Project Designs” means the project designs for the civil works under Part 2 of the Project, setting out the details of construction of the new landfill and related infrastructure, including rehabilitation measures, under Part 2 of the Project, compliant with any construction permits and approvals, the ESIA and the Environmental Management Plan, in form and substance satisfactory to the World Bank.
14. “Resettlement Action Plan” means a site specific resettlement action plan or abbreviated resettlement action plan in relation to the Project, required to be prepared in accordance with the World Bank’s safeguards policies and procedures, in form and substance satisfactory to the Bank.
15. “Social Committee” means the social committee established by the JSC-H&B as a sub-committee of the JSC- H&B to carry out further consultations with, and hear any grievances from, affected people referred to in the relevant Resettlement

Action Plan, as further described in paragraph 16 of Section I.A of Schedule 2 to this Agreement.

16. “Social Specialist” means the social specialist hired by the JSC-H&B as part of the TOU to ensure that actions under Part 2 of the Project are implemented working closely with the surrounding municipalities, stakeholders, concerned private sector and non-governmental organizations, and relevant ministries and to monitor and report on the progress on the social risk mitigation measures.
17. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement between the Recipient and the Palestinian Authority.
18. “TOU” means the technical operations unit within the JSC-H&B responsible for the implementation of the Project.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Section 2.09 is amended to read as follows:

“Section 2.09. *Visits*. The Recipient shall, throughout the implementation of the Project and for a period of ten (10) years thereafter:

(a) enable representatives of the World Bank to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Grant; and

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

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

“Section 3.07. *Financing Taxes*.

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

the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.”

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

4. 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, the Project Implementing Entity, 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.”

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

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

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

“(f) *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 Project Implementation Entity.
- (ii) The Project Implementation Entity 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 Project Implementation Entity has changed

from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.”

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

“(c) *Misprocurement; Fraud and Corruption.* The World Bank: (i) determines, with respect to any contract to be financed out of the proceeds of the Grant, that (A) the procurement of such contract is inconsistent with the procedures set forth or referred to in the Grant Agreement; or (B) corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Project Implementing Entity during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to remedy the situation; and (ii) establishes the amount of expenditures under such contract which would otherwise have been eligible for financing out of the proceeds of the Grant.”

8. 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, use of such amount to: (i) make a payment for an expenditure that is not an Eligible Expenditure; or (ii) finance a contract during the procurement or execution of which corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Project Implementing Entity, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to remedy the situation.”

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

“(j) If, within thirty 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.”

10. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).
11. “Project Implementing Entity” means the JSC-H&B or any successor thereto, responsible for implementing the Project.