

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF057873-GZ

Trust Fund Grant Agreement

(Emergency Municipal Services Rehabilitation-II 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 February 2, 2007

GRANT NUMBER TF057873-GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated February 2, 2007, 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 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 and the International Development Association has resolved, on February 4, 2004, to, *inter alia*, replenish the Trust Fund in the amount of eighty million dollars (\$80,000,000), 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"); and the Project will be carried in accordance with the Project Agreement between the World Bank and the Municipal Development and Lending Fund (the "Project Implementing Entity");

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”) 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 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. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article II of the Standard Conditions and the Project 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 ten million United States Dollars (\$10,000,000) (“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:
 - (a) *Ineligibility of the Recipient.* IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.

- (b) *Performance Failure with respect to the Project Agreement.* The Project Implementing Entity has failed to perform any obligation under the Project Agreement.
- (c) *Ineligibility of the Project Implementing Entity.* IBRD or IDA has declared the Project Implementing Entity ineligible to be awarded a contract financed by IBRD or IDA.
- (d) *Extraordinary Situation.* As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.

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 execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.
 - (b) If World Bank so requests, the condition of the Recipient and the Project Implementing Entity, as represented or warranted to the World Bank at the date of this Agreement, has undergone no material adverse change after such date.
 - (c) The Subsidiary Agreement referred to in Section I.A of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
 - (d) The Recipient has submitted to the World Bank an Environment Management Plan 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 Member Country, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

- (b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (c) the Subsidiary Agreement referred to in Section I.A of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity 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 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 Chief of Staff at the Office of the President of the Palestinian Authority.
- 6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Dr. Rafiq Hussein
Chief of Staff
Office of the President
Palestinian Authority
Ramallah, West Bank

Telephone:	Facsimile:
970-2-298 1370	970-2-296 9740

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 Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

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

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

By

/s/ Rafiq Hussein
Authorized Representative

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

By

/s/ Juan Jose Daboub
Authorized Representative

SCHEDULE 1

Project Description

The objectives of this Project are to: (i) provide assistance for mitigating further deterioration in the delivery of essential municipal services in the West Bank and Gaza; (ii) create temporary job opportunities at the local level; (iii) promote pilot initiatives that foster collaboration among local governments and NGOs and promote municipal cost recovery.

The Project consists of the following parts:

Part 1: Emergency Municipal Services Assistance Grants

- 1.1. Rehabilitation, reconstruction, and upgrading of deteriorating and damaged municipal infrastructure and facilities, and supply of equipment to sustain municipal service provision.
- 1.2. Financing non-wage budgetary support, including expenses for fuel, equipment spare parts, electricity bills for street lighting and other related direct costs for the provision of essential municipal services.

Part 2: Labor-Intensive Employment Generation

Support for labor-intensive temporary employment sub-projects in various sectors of the economy. These sub-projects will be identified and implemented by municipalities in coordination with local community groups.

Part 3: Innovation Window

- 3.1. Installation of pre-paid metering systems in selected pilot municipalities to enhance local cost recovery for electricity service provision.
- 3.2. Financing of pilot collaborative sub-projects undertaken by municipalities in coordination with NGOs.

Part 4: Project Management Costs

- 4.1. Management fees for the Municipal Development and Lending Fund (MDLF).
- 4.2. Technical assistance and training for project implementation, carrying out of environmental and social safeguards, financial management, procurement matters, and monitoring and evaluation activities.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate implementation of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.
2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient 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 of any of its provisions.

B. Project Implementation

1. The Recipient shall cause the Project Implementing Entity: (i) to prepare and submit to the World Bank an Environment Management Plan, acceptable to the World Bank; (ii) to carry out the Project in accordance with the provisions of the Project Agreement, the Subsidiary Agreement, the Project Operational Manual, and the Environmental Management Plan; (iii) to take all action, including the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project; and (iv) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

Section II. Project Monitoring, Reporting, and Evaluation

A. Financial Management; Financial Reports; Audits

1. The Recipient shall cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of the Project Agreement.

The Recipient shall 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.

2. The Recipient shall cause the Project Implementing Entity to prepare financial statements and have these statements audited in accordance with the requirements of the Project Agreement. Each such audit of the Financial Statements shall cover the period of one 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.

B. Completion Report

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of each calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.
2. The Recipient shall cause the Project Implementing Entity to prepare the Completion Report in accordance with the provisions of the Project Agreement.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and 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 for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 (“Procurement Guidelines”) in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the World Bank in May 2004 (“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 Project Implementing Entity 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 and Works

1. National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to 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) until standard bidding documents acceptable to the World Bank have been introduced by the Project Implementing Entity, the standard bidding documents of the World Bank shall be used;
- (v) 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;
- (vi) 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;

- (vii) 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 procedure. 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;
- (viii) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;
- (ix) 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;
- (x) bids received after the deadline for bid submission shall be returned to the bidders unopened;
- (xi) 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;
- (xii) 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;
- (xiii) 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; and
- (xiv) there shall be no post-bidding negotiations with the lowest or any other bidder.

2. Other Methods of Procurement of Goods and Works. The following methods, other than National Competitive Bidding, may be used for procurement

of goods and works for those contracts, which are specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) Force Account.

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) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (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

1. 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.
2. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank:
 - (a) the first three contracts to be awarded in accordance with each procurement method;
 - (b) each contract for works estimated to cost the equivalent of \$200,000 or more procured on the basis of National Competitive Bidding;
 - (c) every contract for goods procured on the basis of National Competitive Bidding;
 - (d) every contract for goods or works procured on the basis of Direct Contracting;
 - (e) every contract for consultants' services to be awarded in accordance with Quality- and Cost-Based Selection;
 - (f) the first three contracts for consultants' services to be awarded in accordance with Quality-based Selection;
 - (g) the first three contracts for consultants' services to be awarded in accordance with Selection based on Consultants' Qualifications;

- (h) the first three contracts for consultants' services to be awarded in accordance with Least Cost Selection;
- (i) the first three contracts for consultants' services to be awarded in accordance with procedures for Selection of Individual Consultants and every contract awarded through such procedures estimated to cost more than \$50,000; and
- (j) every contract for consultants' services awarded through Sole Source Procedures for the Selection of Individual Consultants.

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 US Dollars)	Percentage of Expenditures to be Financed
(1) Goods	3,000,000	100%
(2) Works	4,000,000	100%
(3) Consultants' Services	300,000	100%
(4) Incremental Operating Costs*	2,200,000	100%
(5) Management Fees for MDLF	500,000	100%
TOTAL AMOUNT	10,000,000	

* For purposes of this table, “Incremental Operating Costs” means incremental recurrent expenditures incurred in connection with the Project on account of: the costs of cleaning and maintaining public land, facilities, and assets; the costs of water and electricity utilities relating to the provision of municipal services; the costs of fuel to run electric generators and water and wastewater pumps; the costs of collecting and dumping solid waste in legally permissible areas; the costs of carrying out laboratory tests; the cost of maintaining and operating municipal service vehicles; the costs of carrying out advertisements under the Procurement Plan or the Procurement Guidelines, regarding the procurement of goods, works and services; and, salaries of contractual staff, but excluding salaries of officials of the Recipient’s civil service.

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 \$500,000 equivalent may be made for payments made prior to this date but on or after September 30, 2006, for Eligible Expenditures.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2009.

APPENDIX I

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004.
3. “Environmental Management Plan” means the Recipient’s environmental management plan for the Project, 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 in agreement with 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.
4. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004.
5. “Procurement Plan” means the Project Implementing Entity’s procurement plan for the Project, dated November 11, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
6. “Project Operational Manual” means the Project Implementing Entity’s manual describing: (i) procedures for implementation of the Project, consistent with the provisions of this Agreement and with applicable laws and regulations and including, among other things: (i) procedures governing administrative, procurement, accounting, financial management, including adequate measures for procurement and forensic audits and complaint mechanisms in case of misuse of the proceeds of the Grant, and monitoring and evaluation arrangements; and (ii) sample formats for periodic reports as the same may be amended from time to time with the agreement of the World Bank.
7. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Grant Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity.

APPENDIX-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).