GRANT NUMBER TF094560 GZ

Trust Fund Grant Agreement

(Additional Financing for the Third Emergency Services Support 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 TF094560 GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 14, 2009, 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 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 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 provide additional financing for activities related to the Original Project (as defined in the Appendix I to this Agreement) which are described in Schedule 1 to this 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 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 this Agreement.
- 1.03. All provisions of the Original Trust Fund Grant Agreement remain in full force and effect.

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"), and shall cause the Palestinian Authority to carry out the Project, through the MOF, MOEHE, MOH and MOSA, in accordance with the provisions of Article II of the Standard Conditions and the Disbursement Plan.
- 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 cause the Palestinian Authority to carry out the Project, through the MOF, MOEHE, MOH and MOSA, 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 five million United States Dollars (\$5,000,000) ("Grant") to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS; TERMINATION

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that 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 Palestinian Authority, as represented by the Minister of Finance of the Palestinian Authority.

- 4.02. As part of the evidence to be furnished pursuant to Section 4.01(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; and
 - (b) 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 Palestinian Authority and is legally binding upon each such party in accordance with its terms.
- 4.03 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 4.01 ("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.
- 4.04. 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 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 V - RECIPIENT'S REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority
- 5.02. 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 National Authority Ramallah, West Bank and Gaza

Telephone: 970-2-297 8846

Facsimile: 970-2-297 8845

5.03. 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 mitigate the deterioration of the delivery of education, health and social care services to the Palestinian population in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority.

The Project consists of the Original Project:

Part A: Education Services

Support to MOEHE for the delivery of educational services, through:

- 1. the financing of recurrent expenditures of MOEHE and school directorates;
- 2. the financing of the cost of general examinations, including stationary, printing, and per diem expenses for examination monitors and reviewers; and
- 3. the supporting of higher education institutions, through payment of salaries of non-civil servant teaching staff.

Part B: Health Services

Support to MOH for the delivery of health services through:

- 1. the financing of recurrent non-medical expenditures of MOH and health facilities; and
- 2. No activities will be undertaken within this sub-component under this Additional Financing.

Part C: Social Welfare Services

Support to MOSA for the delivery of social care services, through the financing of recurrent expenditures of MOSA, and its shelters, rehabilitation and training centers.

Part D: Project Management and Monitoring

No activities will be undertaken within this component under this Additional Financing.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary 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 between the Recipient and the Palestinian Authority, under terms and conditions approved by the World Bank.
- 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 Project; and (iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.
- 3. 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, arrogate or waive the Subsidiary Agreement of any of its provisions.

B. Project Implementation

- 1. The Recipient, through the Palestinian Authority, shall cause the MOF to maintain overall responsibility for the Project, including adequate compliance with the World Bank's fiduciary requirements. To assist in its performance of this function, the MOF shall maintain a PCU in a form and with functions, staffing and resources satisfactory to the World Bank (including a project coordinator and specialists in financial management, and accountants). The PCU shall have responsibility for day-to-day implementation and management of Parts C of the Project.
- 2. The MOEHE shall be responsible for day-to-day implementation and management of Part A of the Project and the MOH shall be responsible for day-to-day implementation and management of Part B of the Project. The Recipient, through the Palestinian Authority, shall ensure that the MOEHE and the MOH assign adequate staff, including financial management specialists, and resources for the implementation and management of their respective Parts of the Project, in a manner satisfactory to the World Bank.

- 3. The Recipient, through the Palestinian Authority, shall cause the MOEHE to keep detailed lists evidencing the names of university teaching staff, their date and period of appointment, ID number, bank account detail, position and monthly salary, and receipt of the salary from the university (copy of bank transfer to the respective personal account of each university teaching staff), under Part A.3 of the Project, in a manner satisfactory to the World Bank.
- 4. The Recipient, through the Palestinian Authority, shall (a) ensure that financing of the Operating Costs of MOEHE, MOH, and MOSA shall be made against the items set forth in the Operating Budgets for these respective entities, as approved by the World Bank, and (ii) shall undertake any changes to said itemized Operating Budgets only after approval of the World Bank.
- 5. The Recipient, through the Palestinian Authority, shall ensure that the following transaction, control and clearance processes are followed for the purposes of financing Operating Costs out of the Grant proceeds, as defined in Section III.B.2 of this Schedule: (a) the MOEHE, MOH, and MOSA, respectively, shall initiate all transactions based on the respective itemized Operating Budgets; (b) upon receipt of invoices for said transactions, the MOEHE and MOH (for their respective Operating Costs) and PCU (for MOSA's Operating Costs), shall carry out appropriate due diligence to determine: (i) eligibility of the expenditures; (ii) availability of sufficient resources; (iii) proper authorization and approval of all supporting documents; and (iv) compliance with the Recipient's applicable laws and regulations; and (c) the payments for Operating Costs shall be processed upon successful completion of the review described in sub-paragraph (b).

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting, and Evaluation

A. Project Reports

1. The Recipient shall cause the Palestinian Authority, through the MOF, 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 quarter, 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.

B. Financial Management; Financial Reports; Audits

- 1. The Recipient shall cause the Palestinian Authority, through the MOF, MOEHE and MOH, to maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Palestinian Authority, through the MOF, to prepare and furnish to the World Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.
- 3. The Recipient shall cause the Palestinian Authority, through the MOF, to have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each 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.
- 4. The Recipient shall cause the Palestinian Authority, through the MOF, to submit quarterly spot audits not later than (45) days after the end of each calendar quarter in a form and substance acceptable to the World Bank that confirm eligibility and delivery of items financed by the proceeds of the Grant.

Section III. 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) Operating Costs		100%
(a) under Part A of the Project	300,000	
(b) under Part B of the Project	2,500,000	
(c) under Part C of the Project	400,000	
(2) Salaries under Part A.3 of the Project	1,800,000	100%
TOTAL AMOUNT	5,000,000	

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.
- 2. For the purposes of the table in Part A of this Section:
 - (i) the term "Operating Costs" means the expenditures incurred by the MOEHE, MOH and MOSA in accordance with itemized Operating Budgets approved by the Bank and referenced in Section I.B.4 of Schedule 2 of this agreement, related to: (a) rent payments for offices and facilities; (b) water and electricity utilities; (c) transportation, including fuel, vehicle maintenance, licensing and insurance; (d) communication including telephones, fax and mail; (e) consumable and other perishable items; (f) maintenance of equipment and buildings; (g) heating fuel; (h) cleaning services; (i) commercial bank charges; and (j) per diem and transportation allowances for MOEHE, MOH and MOSA staff for activities directly related to the project.
 - (ii) the term "Salaries" means salaries of teaching staff of higher education institutions, excluding civil servant staff, paid in

accordance with the list referenced in Section I.B.3 of Schedule 2 of this agreement.

3. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2010.

APPENDIX I

Definitions

- 1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006.
- 2. "Category" means a category set forth in the table in Section III of Schedule 2 to this Agreement.
- 3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006.
- 4. "Disbursement Plan" means the work plan dated April 7, 2009, setting forth the projected disbursement targets and modalities for disbursements under the Original Project and the Additional Financing.
- 5. "MOEHE" means the Ministry of Education and Higher Education of the Palestinian Authority or any successor thereto.
- 6. "MOF" means the Ministry of Finance of the Palestinian Authority or any successor thereto.
- 7. "MOH" means the Ministry of Health of the Palestinian Authority or any successor thereto.
- 8. "MOSA" means the Ministry of Social Affairs of the Palestinian Authority or any successor thereto.
- 9. "Operating Budget" means an operating budget for MOH, MOEHE, MOSA or PCU, respectively, specifying the Operating Costs for each said entity eligible for financing under the Project, as approved by the World Bank on November 13, 2007 and updated and approved by the World Bank on April 2, 2009; and "Operating Budgets" refer to these budgets collectively.
- 10. "Original Project" means the project described in the Original Trust Fund Grant Agreement.
- 11. "Original Trust Fund Grant Agreement" means the Trust Fund Grant Agreement for the Third Emergency Services Support Project (TF091212) between the World Bank and the Palestinian Liberation Organization (for the benefit of the Palestinian Authority), dated January 17, 2008.

- 12. "PCU" means the Project Coordination Unit of the Recipient, located within the MOF, and established under the trust fund credit agreement dated March 1, 2002, between the Recipient and the World Bank for the Emergency Support Services Project (TF050473).
- 13. "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 Palestinian Authority.

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 (h) of Section 4.02 are deleted, and consequently, Sub-sections (b) through (k) are re-lettered as Sub-sections (a) through (i).
- 4. 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."

- 5. 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."
- 6. 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 Project 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 Recipient (or such other entity)."
- 7. 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 Project).
 - (ii) The Recipient (or any other entity responsible for implementing any part of the Project) 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 Project) 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."

- 8. 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."
- 9. 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."
- 10. 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."

- 11. 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."
- 12. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).