
CONFORMED COPY

GRANT NUMBER TF092142-GZ

Trust Fund Grant Agreement

(Additional Financing for the Gaza Emergency Water 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 June 30, 2008

GRANT NUMBER TF092142-GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 30, 2008 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 and the International Development Association has resolved, on December 14, 2006, to, *inter alia*, replenish the Trust Fund in the amount of fifty million dollars (US\$50,000,000), 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.

The Recipient and the World Bank hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 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 - GRANT

- 2.01. 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 equivalent to five million United States dollars (US\$5,000,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

ARTICLE III - PROJECT

- 3.01. 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 Palestinian Authority to carry out the Project through the CMWU in accordance with the provisions of Article II of the Standard Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 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 IV - REMEDIES OF THE WORLD BANK

- 4.01. The Additional Events of Suspension referred to in the re-lettered Section 4.02(g) of the Standard Conditions consist of the following:
 - (a) the IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA; and

- (b) the World Bank determines that any representative of the Recipient 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 other such recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

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:
 - (a) the Subsidiary Agreement referred to in Section I.B 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;
 - (b) the Project Implementation Plan has been amended in a manner satisfactory to the Administrator; and
 - (c) the PMU has been adequately staffed and is operational, in a manner satisfactory to the Administrator.

- 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; 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.

- 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. 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 - REPRESENTATIVE; ADDRESSES

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

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

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

Telephone:

970-2-297 8846

Facsimile:

970-2-297 8845

- 6.03. The World Bank's Address is:

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

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

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/ Salam Fayyad

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to improve the efficiency, management; operation and delivery of water and wastewater services in Gaza; (ii) to build capacity of the CMWU; and (iii) to strengthen the regulatory and institutional capacity of the PWA.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Performance-based Management Contract

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

Part B: Capital and Operating Investments

Rehabilitation, operation and maintenance of the water and wastewater infrastructure in Gaza through the carrying out of works, purchase of materials, supplies and construction equipment, and provision of consultants' services.

Part C: Institutional Reform and Capacity Building

Strengthening the institutional capacity of the CMWU, the PMU and the PWA through the provision of expert support in the areas, *inter alia*, of Project management, accounting, sanitation services, licensing and technical and financial auditing.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Recipient shall cause the Palestinian Authority to maintain the Project Implementation Plan in a form and substance satisfactory to the Administrator. The Project Implementation Plan shall set out details of the procedures, guidelines, timetables and other pertinent institutional and implementation arrangements relating to the carrying out of the Project.

(b) The Recipient, through the Palestinian Authority, shall cause the CMWU to carry out the Project in accordance with the provisions of the Project Implementation Plan, and except as the Administrator shall otherwise agree, the Recipient, through the Palestinian Authority, shall not permit the CMWU to amend or waive any provision of the PIP if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Recipient, through the Palestinian Authority, shall cause the CMWU to maintain the PMU in a form and with functions, staffing and resources satisfactory to the Administrator (including specialists in procurement and financial management). The PMU shall coordinate all activities under the Project, including: (i) environmental management; (ii) financial management; (iii) procurement; (iv) monitoring and evaluation; and (v) preparing and submitting to the Administrator quarterly consolidated progress reports and financial statements.

3. The Recipient, through the Palestinian Authority, shall cause the CMWU to employ a Project Director in the PMU, with qualifications and experience, and upon terms and conditions, satisfactory to the Administrator.

4. The Recipient shall cause the Palestinian Authority to maintain the Project Steering Committee consisting of senior officials of key stakeholder ministries and agencies. The PSC shall be responsible for providing overall oversight of the Project and policy guidance, including reviewing procurement plans pertaining to the execution of the Project.

5. The Recipient, through the Palestinian Authority, shall cause the CMWU to maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof.

B. 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, abrogate or waive the Subsidiary 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 Anti-Corruption Guidelines.

D. Safeguards

1. The Recipient, through the Palestinian Authority, shall, by no later than May 31, 2008: (a) revise the Environmental Management Plan, in a manner satisfactory to the Administrator; and (b) appoint an environmental management specialist as part of the PMU staff.

1. The Recipient shall cause the Palestinian Authority to carry out the recommendations of the Environmental Management Plan, as revised, in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein.

2. The Recipient shall cause the Palestinian Authority: (a) to refrain from taking any action which shall prevent or interfere with the carrying out of the Environmental Management Plan; and (b) not to amend, abrogate or waive the Environmental Management Plan or any of its provisions without prior approval of the Administrator.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, through the Palestinian Authority, 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 Administrator. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Administrator not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 2.06 (b) (ii) of the Standard Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Administrator not later than July 31, 2010.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall 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, through the Palestinian Authority, prepare and furnish to the Administrator 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 Administrator.

3. The Recipient shall 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 (1) calendar year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Administrator not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Administrator 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. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

The procedures to be followed for National Competitive Bidding under this paragraph shall include the following additional procedures:

- (i) tenders shall be advertised for at least two (2) consecutive days in a local newspaper of wide circulation;
- (ii) prospective bidders shall be allowed a minimum of thirty (30) days between the date upon which the notification appears in the newspaper for the first time and the date upon which the bid is submitted;
- (iii) the format of the bidding documents shall be consistent with that of the Administrator’s standard bidding documents;
- (iv) interested foreign contractors and suppliers shall be allowed to bid;
- (v) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;

- (vi) all bids shall be opened at the same time in public;
- (vii) contracts shall be awarded to the lowest evaluated bidder, whose bid is determined to be substantially responsive;
- (viii) no bidder shall be requested or permitted to modify his, her or its bid after the bid closing date shall have elapsed;
- (ix) price negotiations with the lowest evaluated bidder shall be limited to cases provided for under the Procurement Guidelines or Consultant Guidelines, as the case may be; and
- (x) post-qualification criteria shall, in the absence of a prequalification process, be explicitly stated in the bidding documents.

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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection
(b) Least-Cost Selection
(c) Selection Based on Consultants’ Qualifications
(d) Single Source Selection
(e) Individual Consultants

D. Review by the Administrator of Procurement Decisions

1. Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator:

(a) each contract for goods and works procured on the basis of International Competitive Bidding;

(b) the first two contracts for goods and works procured on the basis of National Competitive Bidding;

(c) the first two contracts for goods and works procured on the basis of Shopping;

(d) each contract for goods and works procured on the basis of Direct Contracting;

(e) the first two contracts for consultants' services for each selection method regardless of value;

(f) each contract for consultants' services (i) estimated to cost the equivalent of US\$100,000 or more and provided by a firm or (ii) estimated to cost the equivalent of US\$50,000 or more and provided by an individual consultant; and

(g) each contract for consultants' services procured on a single source basis, quality- and cost-based selection or a quality-based selection.

2. All other contracts shall be subject to Post Review by the Administrator.

Section IV. Withdrawal of the Proceeds of the Grant

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Administrator shall 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 Administrator 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\$)	Percentage of Expenditures to be Financed
(1) Civil Works	1,950,000	100%
(2) Goods	1,300,000	100%
(3) Consultants' services, audit and training	200,000	100%
(4) Incremental Operating Costs	1,550,000	100%
TOTAL AMOUNT	<u>5,000,000</u>	

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, the term "Incremental Operating Costs" means costs incurred by the CMWU on account of the PMU staff costs, rental of office space, insurance costs, communication costs, office equipment, office supplies, utility charges, reasonable banking charges, labor costs, maintenance costs of equipment purchased under, or assigned to, the Project, advertisement for procurement purposes, project related travel and per diem allowances, and other consumables."
3. The Closing Date is January 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 IV of Schedule 2 to this Agreement.
3. “Coastal Municipalities Water Utility” or “CMWU” means the autonomous body established pursuant to the Palestinian Authority’s Local Government Law No. 1 of 1997, to consolidate the existing small municipal water departments into a service delivery unit.
4. “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.
5. “Environmental Management Plan” means the plan submitted by the Palestinian Authority to the Administrator in April 2001, as revised, and as the same may be amended from time to time with the agreement of the Administrator, setting forth the measures to be taken during the implementation and operation of the Project in accordance with certain institutional, mitigating, and monitoring measures to offset or reduce adverse environmental impacts to levels acceptable to the Administrator.
6. “Original Grant Agreement” means the Trust Fund Grant Agreement for the Gaza Emergency Water Project between the Administrator and the Palestinian Liberation Organization (for the benefit of the Palestinian Authority), dated July 10, 2005, as amended to the date of this Agreement (TF055245).
7. “Original Project” means the Project described in the Original Grant Agreement.
8. “Palestinian Water Authority” or “PWA” means a public authority established and operating in Gaza and the West Bank pursuant to Decree No. 90 of the Chairman of the Palestinian Authority, dated April 26, 1995, and Law No. 2 of 1996 and Law No. 3 of 2002, as the same may be amended from time to time.
9. “Project Director” means the Recipient’s Project Director, to be employed pursuant to paragraph I.A.3 of Schedule 2 to this Agreement

10. “Project Implementation Plan” or “PIP” means the Project implementation plan referred to paragraph I.A.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Administrator.
11. “Project Management Unit” or “PMU” means the Recipient’s Project Management Unit to be maintained pursuant to paragraph I.A.2 of Schedule 2 to this Agreement and assigned responsibility for the carrying out of the Project on behalf of the Palestine Authority.
12. “Project Steering Committee” or “PSC” means the Project Steering Committee to be maintained pursuant to paragraph I.A.4 of Schedule 2 to this Agreement.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 22, 2008 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.
15. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this 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 (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:

“(b) *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 (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.”

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