

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF094535 GZ

Trust Fund Grant Agreement

(Second Additional Financing for the Gaza Emergency Water Project)

between

Public Disclosure Authorized

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 TF094535 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 (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 June 4, 2008, to, *inter alia*, replenish the Trust Fund in the amount of fifty five million dollars (US\$55,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip (“Gaza”) and the West Bank (the “West Bank”), which are under the jurisdiction of the Palestinian Authority;

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

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

(D) under the Original Trust Fund Grant Agreement (as defined in Appendix I to this Agreement) the World Bank has provided a grant to the Recipient out of the Trust Fund for the implementation of the project described in the Original Trust Fund Grant Agreement (as defined in Appendix I to this Agreement). The World Bank provided additional financing to the project described in the Original Trust Fund Grant Agreement under the Additional Financing Trust Fund Grant Agreement (as defined in Appendix I to this Agreement);

(E) 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 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 and the Additional Financing Trust Fund Grant Agreement remain in full force and effect.

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 three million United States dollars (US\$3,000,000) (“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 - 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.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.
- 4.02. As part of the evidence to be furnished pursuant to Section 4.01, 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.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms.
- 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 - 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 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/ Dina N. Abu-Ghaida

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 Original Project, 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

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

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 and the Disbursement 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 the Disbursement 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 maintain the environmental management specialist as part of the PMU staff.
2. 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.
3. 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 June 30, 2011.

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) 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 Recipient, 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.

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) Selection of individual Consultants
(f) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Administrator 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.

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 under Part B of the Project	2,000,000	100%
(2) Goods under Part B of the Project	1,000,000	100%
TOTAL AMOUNT	<u>3,000,000</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 December 31, 2010.

APPENDIX - I**Definitions**

1. “Additional Financing Trust Fund Grant Agreement” means a trust fund grant agreement between the International Development Association, acting as Administrator of the Trust Fund for Gaza and West Bank, and the Recipient, dated June 30, 2008, (Trust Fund Number TF092142-GZ) for the additional financing of the project described in the Original Trust Fund Grant Agreement.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “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.
5. “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.
6. “Disbursement Plan” means the work plan dated April 30, 2009, setting forth the projected disbursement targets and modalities for disbursements under the Original Project and the Additional Financing.
7. “Environmental Management Plan” means the plan submitted by the Palestinian Authority to the Administrator in April 2001, as revised in June 2008, 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.
8. “Original Project” means: (a) the project described in the Original Trust Fund Grant Agreement; and (b) the project described in the Additional Financing Trust Fund Grant Agreement.

9. “Original Trust Fund Grant Agreement” means the Trust Fund Grant Agreement for the Gaza Emergency Water Project (TF055245) 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.
10. “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.
11. “Project Director” means the Recipient’s Project Director, to be employed pursuant to paragraph I.A.3 of Schedule 2 to this Agreement
12. “Project Implementation Plan” or “PIP” means the Project implementation plan referred to in 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.
13. “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.
14. “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.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 27, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “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 (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).