

CONFORMED COPY

GRANT NUMBER TF092336 GZ

Trust Fund Grant Agreement

(Electric Utility Management Project)

between

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

and

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

Dated June 30, 2008

GRANT NUMBER TF092336 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 January 31, 2007, to, *inter alia*, replenish the Trust Fund in the amount of fifty million dollars (\$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 assist in financing the project described in Schedule 1 to this Grant Agreement (the "Project").

WHEREAS the Administrator 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 Administrator 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 Administrator 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 twelve million United States dollars (US\$12,000,000) (“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 Palestinian Energy Authority 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.

- (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.
 - (c)
 - (i) A Co-financing Agreement has failed to become effective by the respective Co-financing Deadline specified in Section 4.02 of this Agreement, or such later Co-financing Deadline as the Administrator has established by notice to the Recipient; provided, however, that the provisions of this sub-paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under this Agreement;
 - (ii) subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of a Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the respective Co-financing Agreement; or (B) the Co-financing has become due and payable prior to its agreed maturity;
 - (iii) sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation, termination or prematuring was not caused by the failure of the Recipient of the Co-financing to perform any of its obligations under the respective Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient's obligations under this Agreement.
 - (d) Any action has been taken for the dissolution, disestablishment, suspension of operations, or change in legal character of PEA, GEDCO, JDECO, SELCO, NEDCO or HEPCO so as to, in the opinion of the Administrator, materially and adversely affect the Recipient's ability to achieve the objectives of the Project.
- 4.02. The Co-financing Deadline for the effectiveness of the EIB Co-financing Agreement, the Norway/ Sweden Co-financing Agreement, the European Commission Co-financing Agreement, and the France Co-financing Agreement is April 1, 2009.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Administrator has been furnished to the Administrator that the conditions specified below have been satisfied:
- (a) the PA 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 PEA Subsidiary Agreement referred to in Section I.C of Schedule 2 to this Agreement has been executed on behalf of the Palestinian Authority, as represented by the Minister of Finance of the Palestinian Authority, and the PEA, represented by the Chairman of the PEA;
 - (c) the MOP has been finalized and adopted by the Recipient, in a manner satisfactory to the Administrator;
 - (d) the Recipient has an operational computerized accounting system, acceptable to the Administrator; and
 - (e) the Recipient has caused the Palestinian Authority and the PEA to enter into arrangements, satisfactory to the Administrator, to ensure that the goods and services financed out of the proceeds of the Grant and benefiting the Utilities shall be made available to the Utilities.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing the following matters:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
 - (b) the PA Subsidiary Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms; and
 - (c) the PEA Subsidiary Agreement referred to in Section I.C 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 Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator 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 Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Administrator 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 Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator 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:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

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

By /s/ Salam Fayyad

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David Craig

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to reduce the fiscal burden of the power sector on the Recipient's budgetary resources through efficiency enhancement measures aimed at lowering deductions from clearance revenues for arrears owed to the IEC, including: (a) improved collection performance; (b) lower technical and non-technical losses; (c) reduction in payables to IEC on account of electricity purchases; (d) consolidation and increase in the number of electricity consumers; and (e) ensuring that NEDCO is fully operational.

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 objective:

Part 1: Supply and Installation of Power Supply Sub-stations

Supply and installation of four bulk 161kV power supply sub-stations as part of the power transmission system in the West Bank.

Part 2: Development, Reconfiguration and Rehabilitation of Distribution Networks

1. Development of a new power distribution system and reconfiguration of the existing distribution networks in the West Bank.
2. Rehabilitation and extension of the distribution networks in the Utilities in the West Bank and Gaza.
3. Installation of prepaid meters and automatic meter reading systems.

Part 3: Capacity Building for the Improvement of Electricity Services

1. Provision of consultants' services, training and goods capacity building, including in the procurement area, to: (a) PEA, the PMU, GEDCO, NEDCO, JDECO and SELCO; and (b) HEPCO.
2. Provision of engineering consultants' services and goods to the PEA for: (a) the promotion and utilization of renewable energy resources; (b) the adoption of energy efficiency measures; and (c) the purchase of an energy efficiency laboratory.
3. Provision of engineering consultants' services for the procurement and construction supervision needed for the implementation of the sub-stations provided under Part 1 of the Project, as well as the connecting lines and

development and reconfiguration of the distribution system under Part 2(1) of the Project.

4. Provision of operating costs for the Project Management Unit within PEA.
5. Provision of start-up operating costs in the first two years of operation for: (a) PERC; and (b) PETL.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall cause the Palestinian Authority, through the Palestinian Energy Authority, to maintain overall responsibility for the Project including adequate compliance with the World Bank's fiduciary and safeguards requirements. To assist in its performance of this function, the PEA shall maintain the PMU in a form and with functions, staffing and resources satisfactory to the Administrator (including a project director and specialists in procurement, financial management, and accounting, as well as engineering and other technical services). The PMU shall have responsibility for day-to-day implementation and management of the Project, including, inter alia, financial management, procurement, monitoring and reporting, and technical and engineering supervision.
2. The Recipient shall cause the Palestinian Authority and the PEA to ensure that the goods and services financed out of the proceeds of the Grant and benefiting the Utilities shall be made available to the Utilities under arrangements satisfactory to the Administrator.
3. The Recipient shall cause the Palestinian Authority to carry out the Project in accordance with the Manual of Procedures, and shall not amend, suspend, abrogate, repeal or waive any provision of the Manual of Procedures without prior approval of the Administrator.
4. The Recipient, through the PA, shall ensure that the following financial covenants are met, as further defined in the MOP: (a) JDECO, HEPCO and NEDCO achieve financial break-even by the Recipient's fiscal year 2009; (b) SELCO achieves financial break-even by the Recipient's fiscal year 2010; (c) GEDCO achieves financial break-even by the Recipient's fiscal year 2011; (d) JDECO (i) does not incur debt, unless a reasonable forecast of its estimated funds from internal sources during the term of the debt incurred are at least 1.5 times JDECO's estimated debt service requirements in such calendar year on all its debt, including the debt incurred; and (ii) maintains a self-financing ratio of at least 15% of the annual average of JDECO's capital expenditures incurred (or expected to be incurred) during such year, its preceding fiscal year and its following fiscal year; and (e) accounts receivable of each Utility are gradually reduced and attain a level of 3.0 month of average electricity billing by the Recipient's fiscal year 2012.

B. PA 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 PA 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; (iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project and (iv) to carry out the Project in accordance with the Anti-corruption Guidelines.
3. The Recipient shall exercise its rights under the PA 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 PA Subsidiary Agreement or any of its provisions.

C. PEA Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall cause the PA to make the proceeds of the Financing available to the PEA under a subsidiary agreement between the Recipient and the PEA, under terms and conditions approved by the Administrator, which shall include the PEA's undertaking to carry out the Project in accordance with the provisions of the Anti-corruption Guidelines applicable to recipients of loan proceeds other than the Recipient ("PEA Subsidiary Agreement").
2. The Recipient shall cause the PA to exercise its rights under the PEA Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Financing. Except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the PEA Subsidiary Agreement or any of its provisions.

D. Anti-Corruption

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

E. Safeguards

1. The Recipient shall cause the Palestinian Authority to carry out the Project in accordance with the Environmental Impact Assessment, the Environmental Management Plan, and the Resettlement Policy Framework, including the requirement therein to prepare a site-specific Resettlement Action Plan under Part 1 of the Project, in a manner satisfactory to the Administrator, prior to the commencement of works on the respective site. The Recipient shall also cause the Palestinian Authority to update the EIA and the EMP, if necessary, in a manner satisfactory to the Administrator, prior to the commencement of works on the respective site. The Recipient shall cause the Palestinian Authority not to amend, suspend, abrogate, repeal or waive any provision of the Environmental Impact Assessment, Environmental Management Plan or the Resettlement Policy Framework 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 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 September 30, 2012.

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 semester, interim unaudited financial reports for the Project covering the semester, 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 calendar year of the Recipient.

The audited Financial Statements for each such period shall be furnished to the Administrator not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(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) postqualification 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.

<u>Procurement Method</u>
(a) Least-Cost Selection
(b) Single Source Selection
(c) Individual Consultants
(d) Consultants' Qualification

D. Review by the Administrator of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Administrator's Prior Review. 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) Goods, other than for Part 3.1(b) of the Project	7,200,000	100%
(2) Consultants' Services and training, other than those under Part 3.1(b) of the Project	1,400,000	100%
(3) Initial Start-up and Operating Expenditures for PETL under Part 3.5(b) of the Project	1,200,000	100%
(4) Initial Start-up and Operating Expenditures for PERC under Part 3.5(a) of the Project	1,200,000	100%
(5) Consultants' Services, training and goods under Part 3.1(b) of the Project	1,000,000	100%
TOTAL AMOUNT	<u>12,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
 - (a) payments made prior to the date of this Agreement;
 - (b) expenditures in respect of Category (3), until PETL: (i) has been established and registered in a manner satisfactory to the Administrator; and (ii) has furnished to the Administrator a business plan acceptable to the Administrator;

- (c) expenditures in respect of Category (4), until PERC: (i) has been established and registered in a manner satisfactory to the Administrator; and (ii) has furnished to the Administrator a business plan acceptable to the Administrator; and
 - (d) expenditures in respect of Category (5), until and unless the Recipient has submitted to the Administrator a written attestation confirming that HEPCO is operational and functioning as an entity independent of the municipality of Hebron, including: (i) evidence that electricity bills are issued in the name of HEPCO; and (ii) attestation by an acceptable auditor that HEPCO and the municipality of Hebron are separate entities.
- 2. For the purposes of the table in Part A of this Section, the term “Initial Start-up and Operating Expenditures” means expenditures incurred on account of the Project for payments of salaries (excluding salaries of civil servants of the Palestinian Authority), rental of office space, utility charges, vehicle maintenance, fuel, office supplies, communications services, travel expenses, and registration -, legal - and start-up fees.
- 3. The Closing Date is September 30, 2013.

PPENDIX - I**Section 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. “Co-financier” means the European Investment Bank, the European Commission, the Government of France, and the Governments of Sweden and Norway, respectively, providing the Co-financing.
4. “Co-financing” means, respectively, the financing provided or to be provided by the European Investment Bank, the European Commission, the Government of France, and the Governments of Sweden and Norway, to assist in financing the Project, referred to in paragraph 4.01(c) of this Agreement.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the respective Co-financier providing for the Co-financing.
6. “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.
7. “EIB Co-financing Agreement” means the agreement to be entered into between the Recipient and the European Investment Bank providing for an amount of US\$ 70.3 million equivalent to be provided by the European Investment Bank to assist in financing the Project.
8. “Environmental Impact Assessment” or “EIA” means the report identifying and assessing the potential environmental impacts of the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures, furnished to the Administrator on April 2, 2008.
9. “Environmental Management Plan” means the Recipient’s Environmental Management Plan, furnished to the Administrator on April 2, 2008, setting forth a set of mitigation, monitoring, and institutional measures to be taken during Project implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures, as such Environmental Management Plan may be updated, revised or amended from time to time by agreement between the Recipient and the Administrator.

10. “European Commission Co-financing Agreement” means the agreement to be entered into between the Recipient and the Commission of the European Communities providing for an amount of US\$ 20 million equivalent to be provided by the Commission of the European Communities to assist in financing the Project.
11. “France Co-financing Agreement” means the agreement to be entered into between the Recipient and the Government of France providing for an amount of US\$ 10 million equivalent to be provided by the Government of France to assist in financing the Project.
12. “GEDCO” means the Gaza Electric Distribution Company, Ltd., the company responsible for power distribution in Gaza, registered in the company register No. 563130061 on January 12, 1999.
13. “HEPCO” means the Hebron Electricity Power Company, the company responsible for power distribution in the Hebron Municipality, registered in the company register No. 562447011 on February 9, 2000.
14. “IEC” means the Israel Electric Corporation Limited, a limited liability company established in the State of Israel pursuant to Corporate No. 52-000047-2, dated March 29, 1923, as the same may be amended from time to time.
15. “JDECO” means the Jerusalem District Electricity Company Ltd, the company responsible for power distribution in the central part of the West Bank, registered in the company register No. 51-052349-1 on August 4, 1969.
16. “Manual of Procedures” means the document referred to in Section I.A.3 of Schedule 2 of this Agreement, satisfactory to the Administrator, including a financial management manual setting forth the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports and internal and external audit arrangements procedures); and setting forth procurement arrangements, definitions of financial covenants and institutional arrangements for the carrying out of the Project, as the same may be amended from time to time by agreement between the Administrator.
17. “Ministry of Finance” means the Ministry of Finance of the Palestinian Authority and includes any successor thereto.
18. “NEDCO” means Northern Electricity Distribution Company, the company responsible for power distribution in the northern part of the West Bank, registered in the company register No. 562601203 on January 14, 2008.

19. “Norway/ Sweden Co-financing Agreement” means the agreement to be entered into between the Recipient and the Governments of Norway and Sweden providing for an amount of US\$ 21.5 million equivalent to be provided by the Governments of Norway and Sweden to assist in financing the Project
20. “PA 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.
21. “PEA” or “Palestinian Energy Authority” means the Palestinian Energy Authority, a public authority established and operating in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority pursuant Decree No. 12/ 1995 of the Ra’ees of the Palestinian Authority, dated August 31, 1995, as the same may be amended from time to time.
22. “PA Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.
23. “PERC” means Palestinian Energy Regulatory Commission, the entity responsible for the regulation of the energy sector in the West Bank and Gaza, to be established pursuant to the laws and regulations of the Recipient.
24. “PETL” means Palestinian Energy Transmission Company, the company responsible for the power transmission system in the West Bank and Gaza, to be registered in the company register.
25. “PMU” means the Recipient’s Project Management Team to be maintained pursuant to Section I.A of Schedule 2 to this Agreement.
26. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Administrator in May 2004 and revised in October, 2006.
27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 16, 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.
28. “Resettlement Policy Framework” means the resettlement policy framework adopted by the Recipient on April 2, 2008, setting forth: (i) a brief description of the Project and components for which land acquisition and Resettlement are required; (ii) principles and objectives governing Resettlement preparation and implementation; (iii) a description of the process for preparing and approving Resettlement Action Plans; (iv) estimated population displacement and likely

categories of displaced persons, to the extent feasible; (v) eligibility criteria for defining various categories of displaced persons; (vi) a legal framework reviewing the fit between Recipient's laws and regulations and the Association's policy requirements and measures proposed to bridge any gaps between them; (vii) methods of valuing affected assets; (viii) organizational procedures for delivery of entitlements, including the responsibilities of the Recipient, the Project Implementing Entity, and the Beneficiaries; (ix) a description of the implementation process, linking Resettlement implementation to civil works to be carried out under the Project; (x) a description of the grievance redress mechanisms; (xi) a description of the arrangements for funding Resettlement, including the preparation and review of cost estimates, the flow of funds, and contingency arrangements; (xii) a description of mechanisms for consultations with, and participation of, displaced persons in planning, implementation, and monitoring; and (xiii) arrangements for monitoring by the Recipient and, if required, by independent monitors.

29. "SELCO" means the Southern Electricity Company, the company responsible for power distribution in the southern part of the West Bank (except for the Hebron Municipality), registered in the company register No. 562439422 on January 14, 2002.
30. "Utilities" means the utilities companies in the West Bank and Gaza and includes GEDCO, HEPCO, JDECO, NEDCO and SELCO.

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).