

CONFORMED COPY

GRANT NUMBER TF092174 GZ

Trust Fund Grant Agreement

(Village and Neighborhood Development Project)

between

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

and

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

Dated July 29, 2008



GRANT NUMBER TF092174 GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 29, 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 ten million United States dollars (US\$10,000,000) (“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 Ministry of Local Government 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 Administrator has been furnished to the Administrator that the conditions specified below have been satisfied:

- (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 Operational Manual has been completed and adopted by the Recipient, in a manner satisfactory to the Administrator;
- (c) the Oversight Consultants have been appointed, in a manner satisfactory to the Administrator;
- (d) the PMT has been adequately staffed, including with experts in the areas of financial management, procurement and reporting, and is operational, in a manner satisfactory to the Administrator; and
- (e) the National Steering Committee has been established, in a manner satisfactory to the Administrator.

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; 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.

- 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
(as Administrator of the Trust Fund for Gaza and West Bank)**

By /s/ Faris H. Hadad-Zervos

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to promote a coordinated development approach which builds the capacity of communities to plan for and manage development resources.

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: Implementation of Sub-Projects Using a Community Driven Development Approach

Sub-grants for Eligible Communities in the West Bank and Gaza for Sub-projects aimed at providing an incentive for community planning, including small scale infrastructure projects; social programs; and cultural activities, all carried out in accordance with the Project Operational Manual.

Part 2: Capacity Building for Communities, Village Councils and Joint Service Councils for Planning and Development

1. Capacity building services and training for Eligible Communities and Village Councils, including: facilitation and community mobilization aimed at enhancing community participation; preparation of area development plans and Sub-Project proposals; technical and fiduciary services; and planning of knowledge sharing forums and exchange visits.

2. Capacity building services for the Joint Service Councils for Planning and Development, including in the areas of participatory planning, financial management and procurement.

Part 3: Project Implementation Support

Project implementation support for the Ministry of Local Government in the areas of regulatory and policy making capacity, knowledge management and monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause the Palestinian Authority, through the MoLG, to maintain overall responsibility for the Project including adequate compliance with the World Bank's fiduciary requirements. To assist in its performance of this function, the MoLG shall maintain the PMT in a form and with functions, staffing and resources satisfactory to the Administrator (including a project coordinator and specialists in procurement, financial management, and accounting). The PMT shall have responsibility for day-to-day implementation and management of the Project.

2. The Recipient, through the Palestinian Authority, shall cause the National Steering Committee to: (i) supervise the overall coordination, monitoring and reporting of Project activities; and (ii) to approve the annual work programs and budgets for the project, in accordance with the Project Operational Manual.

3. The Recipient shall cause: (i) the Village Councils (in the West Bank) and the Project Support Groups (in Gaza) to maintain responsibility for the identification, design, implementation and supervision of Sub-Projects; (ii) the Joint Service Councils for Planning and Development (in the West Bank) and the Project Review Board (in Gaza) to be responsible for reviewing and approving Sub-Projects and provide technical support for implementation of the Sub-Projects, all in accordance with the Project Operational Manual and the Environmental Management Plan.

4. The Recipient shall cause the Palestinian Authority to employ Oversight Consultants with terms of reference and qualifications satisfactory to the Administrator.

5. The Recipient shall cause the Palestinian Authority to carry out the Project in accordance with the Environmental Management Plan and the Project Operational Manual, and shall not amend, suspend, abrogate, repeal or waive any provision of the Environmental Management Plan or the Project Operational Manual without prior approval of the Administrator.

6. The Recipient shall cause the Palestinian Authority, through the MoLG, to:

- (a) not later than June 1 of each year during the implementation of the Project, starting June 1, 2008, submit to the Administrator for review and approval an annual work program for the following fiscal year of the World Bank, including an indicative budget for implementation of the respective annual work program, prepared in accordance with the format

included in the Project Operational Manual, and shall agree with the Administrator on steps to be taken in the following fiscal year of the Bank;

- (b) not later than September 1 of each year during the implementation of the Project, starting September 1, 2009, submit to the Administrator a report on the performance of the annual work program for the preceding fiscal year of the Bank; and
- (c) jointly undertake with the Administrator a review of the Project activities based on the report referred to in subparagraph (b) above.

7. The Recipient shall cause the Palestinian Authority to, not later than October 31, 2008, establish the Project Review Boards and the Project Support Groups, in a manner satisfactory to the Administrator.

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. Sub-projects

1. The Recipient shall cause the Palestinian Authority, through the MoLG, to make Sub-grants under Part 1 of the Project in accordance with the criteria and procedures set forth in the Project Operational Manual.
2. Each such Sub-grant shall be made under a Sub-grant agreement with the respective recipient on terms and conditions approved by the Administrator, which shall include the following, namely that the Recipient shall obtain rights adequate to protect its interests and those of the Administrator, including the right to:
 - (i) suspend or terminate the right of the recipient of the Sub-grant to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grant recipient's failure to perform any of its obligations under the Sub-grant agreement; and
 - (ii) require each recipient of the Sub-grant to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Administrator, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Administrator, the progress of the Sub-grant and the achievement of its objectives; (E): (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Recipient's or the Administrator's request, have such financial statements audited by independent auditors acceptable to the Administrator, in accordance with consistently applied auditing standards acceptable to the Administrator, and promptly furnish the statements as so audited to the Recipient and the Administrator; (F) enable the Recipient and the Administrator to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient, and the Administrator all such

information as the Recipient or the Administrator shall reasonably request relating to the foregoing.

3. The Recipient shall cause the Palestinian Authority to exercise its rights under each Sub-grant agreement in such manner as to protect the interests of the Recipient and the Administrator and to accomplish the purposes of the Grant. Except as the Recipient and the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant agreement or any of its provisions.

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 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 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:

| <u>Procurement Method</u> |
|--|
| (a) National Competitive Bidding |
| (b) Shopping |
| (c) Direct Contracting |
| (d) Community Participation, following procedures detailed in the Project Operational Manual |

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.

| 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

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) Sub-Grants for Sub-Projects under Part 1 of the Project | 7,000,000 | 100% |
| | | |

| Category | Amount of the Grant Allocated (expressed in US\$) | Percentage of Expenditures to be Financed |
|---|--|--|
| (2) Goods | 73,000 | 100% |
| (3) Consultants' services including audit costs | 2,454,000 | 100% |
| (4) Incremental Operating Costs | 373,000 | 100% |
| (5) Unallocated | 100,000 | |
| TOTAL AMOUNT | <u>10,000,000</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 expenditures incurred by the PMT on account of rental of office space, insurance costs, communication costs, office equipment, office supplies, utility charges, fuel, banking charges, maintenance costs of equipment purchased under, or assigned to, the Project, advertisement for procurement purposes, Project related travel and per diem allowances, but excluding salaries of civil servants of the Palestinian Authority.
3. The Closing Date is April 30, 2012.

APPENDIX - 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. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Department of Refugee Affairs” means the Department of Refugee Affairs of the Palestinian Authority and includes any successor thereto.
5. “Eligible Communities” means communities in marginalized targeted rural areas in the West Bank and marginalized neighborhoods and camp blocs in Gaza, eligible to receive Sub-grants for Sub-projects in accordance with the Project Operational Manual.
6. “Environmental Management Plan” means the Recipient’s Environmental Management Plan, furnished to the Administrator on January 11, 2008, as such Environmental Management Plan may be updated, revised or amended from time to time by agreement between the Recipient and the Administrator.
7. “Joint Service Councils for Planning and Development” means the entities charged with planning and development activities at the local level, established pursuant to Bylaw No. 1 to Articles 2 and 15 of the Law on Local Authorities No. 1, dated August 1, 2003.
8. “Ministry of Finance” means the Ministry of Finance of the Palestinian Authority and includes any successor thereto.
9. “Ministry of Local Government” or “MoLG” means the Ministry of Local Government of the Palestinian Authority and includes any successor thereto.
10. “Ministry of Planning” means the Ministry of Planning of the Palestinian Authority and includes any successor thereto.
11. “National Steering Committee” means the entity responsible for overseeing the Project, chaired by a representative of the Ministry of Local Government, and

composed of representatives of the Ministry of Planning, the Ministry of Finance, and the Department of Refugee Affairs.

12. “Oversight Consultants” means the entities in the West Bank and in Gaza, respectively, responsible for advising Eligible Communities and the MoLG on capacity building activities under the Project.
13. “PMT” means the Recipient’s Project Management Team to be maintained pursuant to Section I.A of Schedule 2 to this Agreement and assigned responsibility for the carrying out of the Project on behalf of the Palestine Authority.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Administrator in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 26, 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.
16. “Project Operational Manual” means the document referred to in Section I.A.5 of Schedule 2 of this Agreement, satisfactory to the Administrator, 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); eligibility criteria for the Sub-grants under Part 1 of the Project, including a negative list of criteria for Sub-projects, specifying that Sub-projects triggering the World Bank’s Operational Policy on Involuntary Resettlement (OP 4.12) or Physical Cultural Resources (OP 4.11) will not be eligible for financing under the Project; and institutional arrangements for carrying out the Project, as the same may be amended from time to time by agreement between the Administrator.
17. “Project Support Groups” means groups of representatives and stakeholders at the local level, responsible for planning and implementing Sub-projects.
18. “Sub-grants” means grants for Sub-projects under Part 1 of the Project, to be provided to Eligible Communities in the West Bank and Gaza according to procedures and criteria set forth in the Project Operational Manual.
19. “Sub-projects” means projects financed with Sub-grants under Part 1 of the Project, selected, prepared, processed and implemented as set forth in the Project Operational Manual.

20. “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. “Village Councils” means local councils in the West Bank, established pursuant to the Law on Local Authorities No. 1, dated October 12, 1997.

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).