June 25, 2012

H.E. Dr. Nabeel Kassis
Minister of Finance
Palestinian National Authority
West Bank and Gaza
Email: mofird@palnet.com

Subject: Municipal Development Project for the Support of Phase I of the Municipal Development Program
Amendment to the Multi-Donor Trust Fund Grant Agreement
(TF096770; TF012410)

Excellency:

1. We refer to the Multi-Donor Trust Fund Grant Agreement for the Municipal Development Project for the support of Phase I of the Municipal Development Program (the “Project”) between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the “Recipient”) and the International Development Association acting as administrator of the Multi-Donor Trust Fund for MDP (the “Administrator”) dated June 10, 2010 (TF096770) (Multi-Donor Trust Fund Grant Agreement).

2. We are pleased to inform you that the Administrator has received from Donors an additional financing for the Project in an amount of twelve million two hundred nine thousand seven hundred eighteen United States Dollars (US$12,209,718) (TF012410). Accordingly we propose to amend the Multi-Donor Trust Fund Grant Agreement as follows:

3. Section 3.01 is amended to read:

"3.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant consisting of the original grant in an amount equal to thirteen million four hundred seventy seven thousand forty two United States Dollars (US$13,477,042) ("Original Grant") and an additional grant in an amount equal to twelve million two hundred nine thousand seven hundred eighteen United States Dollars (US$12,209,718) ("Additional Grant") to assist in financing the Project. The Original Grant and the Additional Grant will be jointly referred to as the "Grant"."  

4. Paragraph 1 of Part A of Section III of Schedule 2 is amended to read:
“1. **Procurement and Consultant Guidelines.** All goods, works, non-consulting services and 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:

(a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 in the case of goods and works financed from the Original Grant, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 in the case of consultants’ services financed from the Original Grant;

(b) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of goods, works and non-consulting services financed from the Additional Grant, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of consultants’ services financed from the Additional Grant; and

(c) The provisions of this Section III, as the same shall be elaborated in the Procurement Plan.”

5. The table in paragraph 2 of Part A of Section IV of Schedule 2 is revised as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Grant Allocated (expressed in USD)</th>
<th>Amount of the Additional Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Part 1 of the Project</td>
<td>10,532,466</td>
<td>10,233,892</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, and Training under Part 2 of the Project</td>
<td>999,705</td>
<td>56,308</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services, works, goods and Training under Part 3 of the Project</td>
<td>585,001</td>
<td>1,000,467</td>
<td>100%</td>
</tr>
<tr>
<td>(4) (a) Consultants’ services and goods under Part 4 of the Project</td>
<td>418,927</td>
<td>64,371</td>
<td>100%</td>
</tr>
<tr>
<td>(b) MDLF Management Fee (including financial audit)</td>
<td>940,943</td>
<td>854,680</td>
<td>100%</td>
</tr>
<tr>
<td>SUBTOTAL AMOUNT</td>
<td>12,477,042</td>
<td>12,209,718</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td></td>
<td>25,686,760</td>
<td></td>
</tr>
</tbody>
</table>
6. Paragraph 4 of Section I of the Appendix is amended to read:

“4. “Consultant Guidelines” means:

(a) “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 in the case of consultants’ services financed from the Original Grant; and

(b) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of consultants’ services financed from the Additional Grant.”

7. Paragraph 16 of Section I of the Appendix is amended to read:

“16. “Procurement Guidelines” means:

(a) “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 in the case of goods and works financed from the Original Grant; and

(b) “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 in the case of goods, works and non-consulting services financed from the Additional Grant.”

8. Unless the context otherwise requires and except where otherwise defined in this Amendment Letter, all capitalized terms contained herein shall have the meanings given to them in the Multi-Donor Trust Fund Grant Agreement.

9. All the terms and conditions of the Multi-Donor Trust Fund Grant Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

10. The following events are specified as conditions of effectiveness of this Amendment Letter: (i) the Subsidiary Agreement has been revised according to the provisions of this Amendment Letter; and (ii) On-Granting Agreement has been revised according to the provisions of this Amendment Letter.
11. Please confirm your agreement on behalf of the Recipient with the above amendment by signing, dating and returning to us one of the original copies of this Amendment Letter. The Amendment Letter will become effective as of the date on which the Administrator dispatches to the Recipient notice of its acceptance of the evidence that the Amendment Letter effectiveness conditions set forth above have been satisfied.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Mariam Sherman
Country Director
West Bank and Gaza

AGREED:

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

By: [Signature]
Name: Nabil Kanaa
Title: Minister of Finance
Date: 27 June 2012