February 23, 2011

H. E. Mr. Salam Fayyad
Minister
Ministry of Finance
Palestinian Authority
Ramallah

Re: West Bank and Gaza: Second Additional Financing for the Gaza Emergency Water Project (TF094535)
Amendment to the Trust Fund Grant Agreement

Excellency:

We refer to the Trust Fund Grant Agreement between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) (the Recipient) and the International Development Association, as Administrator of the Trust Fund for Gaza and West Bank (the Administrator) dated July 14, 2009 (the Trust Fund Grant Agreement). We also refer to your letter dated January 26, 2011 requesting the Administrator to amend the Trust Fund Grant Agreement and to reallocate the proceeds of the grant.

We hereby accede to your request and propose to amend the Trust Fund Grant Agreement as follows:

1. The table in paragraph 2 of Section IV.A of Schedule 2 is amended to include an additional Category (3) Operating Costs and to reflect reallocation of the amount of the Grant as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil Works under Part B of the Project</td>
<td>1,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods under Part B of the Project</td>
<td>850,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>
2. Paragraph 2 of Section IV.B of Schedule 2 is amended to read as follows:

“2. For the purposes of the table in Part A of this Section, the term “Operating Costs” means costs incurred by CMWU on account of 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, vehicle rental and maintenance, advertisement for procurement purposes, project related travel and per diem allowances, fuel to run the water and wastewater facilities, utility fees for electricity subscriptions for the new water and wastewater facilities and the cost of necessary auxiliaries and equipment for connections, licensing fees for the new water and wastewater facilities, rental and operational costs of the CMWU regional offices and other consumables."

Except as specifically amended by this amendment letter, all provisions of the Trust Fund Grant Agreement remain in full force and effect.

Please confirm your agreement to the above amendment by signing the form of confirmation set forth below, returning to us one fully executed original of this Amendment Letter, and retaining one original for your records. Upon receipt by the Administrator of a countersigned copy of this Letter, this Amendment will become effective as of the date of the countersignature.

Sincerely,

/s/ Mariam J. Sherman

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

Mariam J. Sherman
Director
West Bank and Gaza

CONFIRMED:

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

By: /s Salam Fayyad

Date: February 28, 2011