Partnership for Infrastructure Development in the West Bank and Gaza Multi-donor Trust Fund Grant Agreement

(Additional Financing for the Gaza Water Supply And Sewage Systems Improvement Project)

between

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

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an Administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund)

Dated December 3, 2014
GRANT NUMBER TF018268

Trust Fund Grant Agreement

AGREEMENT dated December 3, 2014, entered into between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the “Recipient”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as an administrator of grant funds provided by various donors (“Donors”) under the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (“Trust Fund”).

WHEREAS (A) by the Trust Fund Grant Agreement for the Gaza Water Supply and Sewage Systems Improvement Project between the Recipient and the World Bank dated December 19, 2012 (the “Original Grant Agreement”), the World Bank has agreed to make a grant to the Recipient in an amount equivalent to six million four hundred thousand United States Dollars ($6,400,000) to finance of the Original Project (as defined in Appendix I to this Agreement); and

(B) the Palestinian Authority (“PA”), on behalf of the Recipient, has requested the World Bank to provide an additional financing to assist in financing the project described in Schedule 1 to this Grant Agreement (the “Project”).

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 February 15, 2012 (“Standard Conditions”), with the modifications set forth 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 the Preamble and Appendix I to this Agreement.

Article II

The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause the Palestinian Authority to carry out the Project through PWA in accordance with the provisions of Article II of the Standard Conditions.
2.02. Without limitation upon the provisions of Section 2.01 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 III
The Grant

3.01. 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 equal to eight million seven hundred thousand United States Dollars ($8,700,000) ("Grant" or "Additional Financing") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Donors to the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned Trust Fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred; and

(b) any action has been taken for the dissolution, disestablishment, suspension of operations, or change in legal character of the CMWU so as to, in the opinion of the World Bank, materially and adversely affect the Recipient’s ability to achieve the objectives of the Project.
Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied in a manner and in form and substance satisfactory to the World Bank:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action.

(b) The Subsidiary Agreement referred to in Section 1.B of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Palestinian Authority.

5.02. As part of the evidence to be furnished pursuant to Section 5.01, 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 1.A 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 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 5.01 ("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.

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 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 VI
Recipient's 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:

Ministry 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 referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD  
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391  
Facsimile: 64145 (MCI)
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

[Signature]
Authorized Representative

Name: Shukry Bishara
Title: Minister of Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION
(acting as an administrator of grant funds provided by various
donors under the Partnership for Infrastructure Development in the
West Bank and Gaza Multi-Donor Trust Fund)

By

[Signature]
Authorized Representative

Name: Steen Lau Jørgensen
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to improve the quality and efficiency of water supply and wastewater service provision in Gaza and to assist in restoration of basic water supply and wastewater services through: (i) rehabilitation and reconstruction of existing and damaged water and wastewater systems; and (ii) enhancing the capacity of CMWU to sustain water and wastewater services.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the World Bank may agree upon from time to time to achieve such objective:

Part A: Rehabilitation and Improvement of Water Supply and Wastewater Facilities

1. Rehabilitation and/or reconstruction of water wells and desalination plants.
2. Rehabilitation and/or reconstruction of water reservoirs and booster stations and reconstruction of Khousa Water Reservoir and Abasan Water Reservoir.
3. Rehabilitation and/or reconstruction of water mains, distribution networks and house connections, assessment of damages through a leak detection program.
4. Rehabilitation and/or reconstruction of wastewater treatment plants in Rafah, Khan Younis, and North Gaza.
5. Rehabilitation and/or reconstruction of wastewater networks and wastewater pumping stations.
6. Provision of vehicles and heavy machinery, including loaders, excavators and maintenance vehicles.

Part B: CMWU Capacity Building and Operational Support

1. Provision of operational assistance to the CMWU through financing of chemicals, chlorine, reagents and fuel to run the water and wastewater facilities, and financing of CMWU Operating Costs.
2. Rehabilitation of administration and operational buildings of the CMWU.
3. Repair and/or replacement of CMWU’s damaged information technology equipment.
Part C: Project Management, Monitoring and Evaluation

Strengthening of the PWA’s and the PMU’s capacity for Project management, monitoring and evaluation through provision of consultants’ services, including audit and Training, and financing of PMU Operating Costs.
Section I. **Institutional and Other Arrangements**

**A. 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 satisfactory to the World Bank ("Subsidiary Agreement").

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; (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 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.

**B. Project Implementation**

1. The Recipient, through the Palestinian Authority, shall cause PWA to carry out the Project in accordance with the provisions of the Project Implementation Manual and except as the World Bank shall otherwise agree, shall not permit PWA to amend or waive any provision of such Manual if, in the opinion of the World Bank, 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 PWA to maintain the PMU in a form and with functions, staffing and resources satisfactory to the World Bank and adequate to implement the Project. The PMU shall be responsible for day to day activities related to project implementation, including: (i) financial management; (ii) disbursement; (iii) procurement; (iv) monitoring and evaluation; and (v) preparing and submitting to the World Bank semi-annually consolidated Project Reports and financial statements.
3. The Recipient, through the Palestinian Authority, shall cause PWA to maintain arrangements with the CMWU, under terms and conditions satisfactory to the World Bank. These terms and conditions shall include (but not be limited to) the following:

(a) PWA shall make available to the CMWU consultants' services, goods and works benefitting the CMWU and financed out of the proceeds of the Grant.

(b) The new facilities to be constructed under the Project shall be transferred to the CMWU for operation and management, and the CMWU's facilities to be rehabilitated and expanded under the Project shall continue to be operated and managed by the CMWU.

(c) The goods and facilities constructed, rehabilitated or expanded under the Project shall be used exclusively for the purposes of the Project and shall be serviced, maintained and operated with due diligence and efficiency and in accordance with appropriate administrative, technical, financial, economic, safety, security, environmental and social standards and practices, and all necessary repairs and renewals of such facilities shall be made promptly as needed.

(d) The CMWU shall maintain records adequate to identify the goods, works and services financed out of the proceeds of the Grant and transferred to the CMWU and to disclose their use.

(e) The CMWU shall enable the PWA, including PMU, and the World Bank representatives to: (i) visit any facilities and construction sites of the Project; and (ii) examine the goods financed out of the proceeds of the Grant and any installations, sites, works, buildings, property and equipment, relevant to the Project.

C. Anti-Corruption

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

D. Safeguards

The Recipient, through the Palestinian Authority, shall cause PWA: (i) to carry out the Project in accordance with the Environmental and Social Impact Assessment and the Environmental and Social Management Plan; (ii) not to amend, suspend, abrogate, repeal or waive any provision of the ESIA and the ESMP without prior approval of the World Bank; and (iii) to monitor the
implementation of the ESMP and report to the World Bank as part of Project Reports on its compliance with the ESMP during the Project implementation.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through the Palestinian Authority, shall cause PWA to 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 acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through the Palestinian Authority, shall cause PWA to maintain a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that quarterly interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient, through the Palestinian Authority shall cause the PWA to prepare the Project financial statements and have these statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period. The audit of the Financial Statements should include a technical audit. The Auditor will be required to hire technical specialist to conduct the technical audit part according to terms of reference acceptable to the World Bank.
Section III. Procurement

A. General

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 Procurement Guidelines in the case of goods, works and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants' services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. National Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures:

(a) 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;

(b) 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;

(c) 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;

(d) until standard bidding documents acceptable to the World Bank have been introduced by the PA, the standard bidding documents of the World Bank shall be used;

(e) 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;

(f) 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;

(g) 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;

(h) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;

(i) 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;

(j) bids received after the deadline for bid submission shall be returned to the bidders unopened;
(k) 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;

(l) 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;

(m) 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

(n) there shall be no post-bidding negotiations with the lowest or any other bidder.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Procurement of PMU Operating Costs

Expenditures included in PMU Operating Costs category can be procured in accordance with the established PWA’s administrative procedures acceptable to the World Bank.
E. **Review by the World Bank of Procurement Decisions**

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 Grant Proceeds**

A. **General**

The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (1) Article III of the Standard Conditions; (2) this Section; and (3) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures, inclusive of taxes, consisting of goods, works, non-consulting services, consultants' services, Training, PMU Operating Costs and CMWU Operating Costs.

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. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.
APPENDIX I

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “CMWU” means the Coastal Municipalities Water Utility, a financially independent 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 single service delivery utility.

4. “CMWU Operating Costs” means Project related incremental costs incurred by the CMWU on account of office rent, maintenance and utility charges, insurance costs, communication costs, office supplies and consumables, banking charges, printing and advertising, vehicle rental, insurance and maintenance, vehicle fuel, Project related local travel, including per-diem, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the World Bank.


6. “Environmental and Social Impact Assessment” or “ESIA” means the assessment prepared by the Recipient for the purposes of the Original Project and identifying and assessing the potential environmental impacts of the Project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures, referred to in Part D of Section I of Schedule 2 to this Agreement and approved by the World Bank on September 18, 2012.

7. “Environmental and Social Management Plan” or “ESMP” means the plan prepared by the Recipient for the purposes of the Original Project and updated for the purposes of the Additional Financing, as referred to in Part D of Section I of Schedule 2 to this Agreement, setting forth a set of mitigation, monitoring, and institutional measures to be taken during Project implementation and operation to eliminate adverse environmental impacts, offset them, or reduce them to acceptable levels, and including the actions needed to implement these measures, as such ESMP may be updated, revised or amended from time to time upon agreement with the World Bank.

9. "Original Project" means the Project described in the Original Grant 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. "PMU Operating Cost" means Project related incremental costs incurred by the PMU on account of staff salaries, office rent, maintenance and utility charges, insurance costs, communication costs, office supplies and consumables, banking charges, printing and advertising, vehicle rental, insurance and maintenance, vehicle fuel, Project related local travel, including per-diem, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the World Bank.


13. "Project Implementation Manual" or "PIM" means the manual adopted by PWA for the purposes of the Original Project and updated for the purposes of the Additional Financing, and setting forth the procedures and requirements for the implementation of the Project, consistent with the provisions of this Agreement and with applicable laws and regulations of the Recipient, including, among other things, administrative, procurement, accounting, financial management, disbursement, reporting, environmental and other safeguards arrangements, as the same may be amended from time to time upon agreement with the World Bank.

14. "Project Management Unit" or "PMU" means the Project management unit within PWA referred to in paragraph 2 of Section I.B of Schedule 2 to this Agreement.

15. "Subsidiary Agreement" means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.

16. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental,
travel, accommodation and *per diem* costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.
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).