Re: European Community Grant Agreement (Grant No. TF057595)  
North Gaza Emergency Sewage Treatment Project  
Extension of Closing Date and Revised Schedule 2 (Procurement)

Excellency:

We refer to your letter dated November 23, 2009 requesting the International Development Association (the Bank) to extend the Closing Date of the above referenced Grant. I am pleased to inform you that the Bank concurs with your request.

Accordingly, the Bank has established December 31, 2013 as the later date for the purposes of Section 2.03 of the European Community Grant Agreement (Grant No. TF057595) between the Palestine Liberation Organization and the Bank dated December 7, 2006 (Agreement).

We also refer to your letter dated May 9, 2010 requesting the Bank to update Schedule 2 (Procurement) to the Agreement. Accordingly, we also propose to amend the Agreement by replacing Schedule 2 (Procurement) to the Agreement with the Schedule 2 (Procurement) attached to this Amendment Letter in order to allow for additional procurement methods. Accordingly, Schedule 2 to the Agreement shall read as set forth in the attachment to this letter.

Except as specifically amended by this Amendment Letter, all provisions of the Agreement remain in full force and effect.

Please confirm your agreement to the above amendment by signing and returning to us one fully executed original of this Amendment Letter, and retaining one original for your records. This amendment will become effective as of the date of the countersignature upon receipt by the Administrator of the copy of this Letter countersigned by you.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Mariam Sherman  
Country Director  
West Bank and Gaza
CONFIRMED AND AGREED:

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

By: /s/ Salam Fayyad

Name: Salam Fayyad

Title: Minister of Finance

Date: July 5, 2010
SCHEDULE 2

Procurement

Section I. General

A.  All goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines) and revised in October, 2006, and with the provisions of this Schedule.

B.  The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines.

Section II. Particular Method 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 Recipient’s procurement plan for the Project, dated May 13, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs, (Procurement Plan) shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
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<tr>
<td>(b) Shopping</td>
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<tr>
<td>(c) Direct Contracting</td>
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</tbody>
</table>

   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.

Section III. Review by the Administrator of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Administrator’s Prior Review.

2. All other contracts shall be subject to Post Review by the Administrator.
Cc and cleared by: Richard Pollard (TTL), Hyacinth Brown (LOA); Lina Tutunji (MNAPR); Julie Rieger (LEGEM) and Suhair Musa (FMS).

Copied to:

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International Relations Department
Ministry of Finance
Ramallah

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Mr. Merza Hussain Hasan
Executive Director
World Bank

Mr. Sufyan Al-Issa
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