December 7, 2014

H.E. Mr. Shukry Bishara
Minister of Finance
Palestinian National Authority
West Bank and Gaza

Subject: Gaza Electricity Network Rehabilitation Project
Additional Financing and Amendment to the Trust Fund Grant Agreement
(Original Grant Number TF011639; Additional Financing Grant Number TF018207)

Excellency:

1. We refer to the Trust Fund Grant Agreement for the Gaza Electricity Network Rehabilitation 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 Trust Fund for Gaza and West Bank (the “World Bank”) dated March 23, 2012 (Grant Number TF011639) (Trust Fund Grant Agreement). We also refer to your request for an additional financing for the Project.

2. We are pleased to inform you that the World Bank has acceded to your request and agreed to provide an additional financing for the Project in an amount of fifteen million United States Dollars (US$15,000,000) (Grant Number TF018207). Accordingly we propose to amend the Trust Fund Grant Agreement as follows:

3. Section 3.01 is amended to read:

“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 equivalent to twenty three million United States Dollars (US$23,000,000) (the “Grant”), consisting of the original grant in an amount equal to eight million United States Dollars (US$8,000,000) (“Original Grant”) and an additional grant in an amount equal to fifteen million United States Dollars (US$15,000,000) (“Additional Grant”) to assist in financing the Project.

4. Project description set forth in Schedule 1 is revised as follows:

“Project Description

The objective of the Project is to restore and improve basic electricity services in Gaza.

The Project consists of the following parts:

Part A: Electricity Network Reconstruction, Rehabilitation and Expansion

1. Reconstruction and Rehabilitation of medium and low voltage networks.
2. Construction of new network facilities to improve the performance of the electricity supply in Gaza, including new 22 kV underground feeders from the Gaza Power Plant, reconfiguration and expansion of medium and low voltage networks, and new 22 kV underground feeders from the proposed 161 kV north substation.

3. Improvement of electricity tariffs collection through procurement and installation of prepaid meters and control system hardware.

Part B: GEDCO Capacity Building and Technical Assistance to PEA and PMU

1. Provision to GEDCO of: (i) tools, equipment, vehicles and warehouse space necessary for the operation, maintenance and repair of the electricity networks in Gaza; and (ii) information technology hardware and software, Geographic Information System software, Load Flow software, and Global Positioning System devices.

2. Provision of technical assistance to PEA in preparation of a master plan for the development of the electricity sector in Gaza and financing of the Project related audit.

3. Strengthening PMU’s capacity for Project management, monitoring and evaluation through provision of vehicles, office equipment and furniture and financing its Operating Costs.”

5. The following new Part E is added in Section III of Schedule 2:

“E. Procurement of Operating Costs

Expenditures included in the Operating Costs category can be procured in accordance with the established PEA’s administrative procedures acceptable to the World Bank.”

6. Part A of Section IV of Schedule 2 is revised as follows:

“A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) 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 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:
<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) Goods, works, non-consulting services, consultants' services and Operating Costs for the Project</td>
<td>8,000,000</td>
<td>15,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL GRANT AMOUNT</td>
<td></td>
<td>23,000,000</td>
<td></td>
</tr>
</tbody>
</table>

7. The Closing Date set forth in paragraph 2 of Part B of Schedule IV is revised to read: “June 30, 2017”.

8. Paragraph 2 of Appendix I is amended to read:

   “4. “Consultant Guidelines” means:

   (a) “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 procurement of which has been initiated prior to November 1, 2014; and

   (b) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) in the case of consultants’ services procurement of which has been initiated on or after November 1, 2014.”

9. The following new paragraph 6 is added to Appendix I after paragraph 5:

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

10. Old paragraphs 6-10 of Appendix I are renumbered as paragraphs 7-11, accordingly.

11. Paragraph 8 of Appendix I is amended to read:

   “8. “Procurement Guidelines” means:

   (a) “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 procurement of which has been initiated prior to November 1, 2014; 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 (revised July 2014) in the case of goods, works and non-consulting services procurement of which has been initiated on or after November 1, 2014.”

12. 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 Trust Fund Grant Agreement.

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

14. The following event is specified as a condition of effectiveness of this Amendment Letter, namely, that the Subsidiary Agreement has been revised according to the provisions of this Amendment Letter.

15. 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 World Bank 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]
Sheen Lau Jorgensen
Country Director for West Bank and Gaza
Middle East and North Africa Region

AGREED:

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

[Signature]
Name: Shukry Bishara
Title: Minister of Finance

Date: December 7, 2014