

CONFORMED COPY

TF 026050

Trust Fund Credit Agreement

(Investment Guarantee Fund Project)

between

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

and

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

Dated June 24, 1997

TF 026050

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated June 24, 1997, between PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator (the Administrator) of the Trust Fund for Gaza and West Bank, established on October 19, 1993, by Resolution No. 93-11 and IDA 93-7, as amended by Resolution No. 95-6 and IDA 95-3, and as further amended by Resolution No. 96-11 and IDA 96-7, of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the Trust Fund).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Association has resolved, on February 3, 1997, to, inter alia, replenish the Trust Fund in the amount of ninety million dollars (\$90,000,000), such amount to be transferred from the net income of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in the Gaza Strip (Gaza) and the West Bank (the West Bank) which are under the jurisdiction of the Palestinian Authority;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, inter alia, sets out certain interim self-government arrangements in Gaza and the West Bank (the Interim Agreement);

(C) Section 1 of Article II of the Interim Agreement envisages the election in Gaza and the West Bank of a council with legislative and executive authorities which shall, upon inauguration thereof, assume all the powers, responsibilities, rights, liabilities and obligations of the Palestinian Authority (the Palestinian Council); Section 1 of Article V of the Interim Agreement provides that the executive authority of the Palestinian Council shall be bestowed upon a committee to be formed in accordance with the provisions of Section 4 of the Interim Agreement (the Palestinian Authority or PA); and Section 5 (b) of Article IX of the Interim Agreement authorizes the Palestinian Liberation Organization to conduct negotiations and, in certain cases described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority;

(D) the Multilateral Investment Guarantee Agency (MIGA) has been authorized by its Board of Directors to establish a West Bank and Gaza Investment Guarantee Trust Fund (the Investment Guarantee Trust Fund) designed to provide guarantees against political risks for private investments in the West Bank and Gaza;

(E) the Borrower intends to be a sponsor by making a contribution to the Investment Guarantee Trust fund in furtherance of which, the Borrower, on behalf of the PA, will enter into a Framework Agreement on Investment Guarantees;

(F) the Borrower has requested the Administrator to provide financing towards the funding of the Borrower's contribution into the Investment Guarantee Trust Fund; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing to extend the Credit to the Palestine Liberation Organization, for the benefit of the PA, upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. (a) The provisions set forth in the Schedule to this Agreement of the General Conditions set forth in Schedule 1 to the Trust Fund Credit Agreement between the Administrator and the Palestinian Economic Council for Development and Reconstruction, dated September 7, 1994, relating to the Emergency Rehabilitation Project (TF 026066 GZ), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement.

(b) (i) Paragraph 5 of Section 2.01 is modified to read:

"Project" means the financing of the Investment Guarantee Trust fund from the proceeds of the trust fund pursuant to the Schedule to this Agreement."; and

(ii) Paragraph 9 of Section 2.01 is modified to read:

"Borrower" means the Palestine Liberation Organization."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the PA pursuant to Section 2.02 (a) of this Agreement, as the same may be amended from time to time, and such term shall include all schedules to the Subsidiary Agreement; and

(b) "Framework Agreement" means the agreement between MIGA and the Borrower relating to the Borrower's contribution to the Investment Guarantee Trust Fund.

#### ARTICLE II

## The Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. (a) The Borrower shall make the proceeds of the Credit available to the PA under a subsidiary agreement to be entered into between the Borrower and the PA, under terms and conditions which shall have been approved by the Administrator.

(b) The amount of the Credit may be withdrawn from the Credit Account by the Palestinian Authority on behalf of the Borrower for the payment made or to be made by the Borrower after the date of this Agreement, in accordance with the terms and conditions of the Framework Agreement.

Section 2.03. The Closing Date shall be March 31, 1998, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall cause the PA to pay to the Administrator a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Administrator as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Administrator shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall cause the PA to pay to the Administrator a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall cause the PA to repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing July 15, 2007 and ending January 15, 2037. Each installment to and including the installment payable on January 15, 2017, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

Section 2.08. Notwithstanding the provisions of Section 2.07 of this Agreement, the Borrower shall cause the Palestinian Authority, upon liquidation of the West Bank and Gaza Investment Guarantee Trust Fund, to pay to the Administrator any amounts of the Borrower's contribution returned to it by MIGA, such amounts to be applied by the Administrator towards the repayment in advance of maturity of all or any part of the principal amount of one or more maturities of the Credit as specified by the Borrower.

Section 2.09. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

## ARTICLE III

### Financial Covenants

Section 3.01. (a) The Borrower shall cause the PA to maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the use of the proceeds of the Credit.

(b) The Borrower shall cause the PA to: (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator; (ii) furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and (iii) furnish to the Administrator such other information concerning said records, accounts and the audit thereof as the Administrator shall from time to time reasonably request.

#### ARTICLE IV

##### Remedies of the Administrator

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that the Framework Agreement shall have been terminated.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Trust Fund Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Agreement has been executed on behalf of the Borrower and the PA; and

(b) all conditions precedent to the effectiveness of the Framework Agreement shall have been fulfilled other than those related to the effectiveness of this Agreement.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Administrator, namely, that the Subsidiary Agreement has been duly authorized and ratified by, and executed and delivered on behalf of, the parties thereto and is legally binding upon said parties in accordance with the terms thereof.

Section 5.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Minister of Finance of the PA is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Palestine Liberation Organization  
c/o The Palestinian Authority  
Gaza City

For the Administrator:

International Development Association  
1818 H Street, N.W.

Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Ramallah as of the day and year first above written.

PALESTINE LIBERATION ORGANIZATION  
for the Benefit of the Palestinian Authority

By /s/ Mohamed Nashashibi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the Trust Fund for Gaza and West Bank

By /s/ Odin Knudsen

Authorized Representative

#### SCHEDULE

Following are the provisions set forth in the General Conditions applicable to this Agreement pursuant to Section 1.01 (a):

- (i) Article I;
- (ii) Article II;
- (iii) Article III;
- (iv) Sections 4.02, 4.03, 4.04, and 4.05;
- (v) the first five sentences of Section 5.01., and Sections 5.05, 5.06, 5.07, 5.08, and 5.09;
- (vi) the first three sentences of Section 6.01, and Sections 6.02 (e), 6.03 (a) and 6.06;
- (vii) Article VII;
- (viii) Article VIII;
- (ix) Sections 9.01, 9.02 and 9.06 (c);
- (x) Article X;
- (xi) Article XI; and

(xii) Article XII.

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