

CONFORMED COPY

DANISH GRANT RELATED TO TF 026073 GZ

Danish Grant Agreement

(Relating to the Emergency Rehabilitation
Project in the West Bank and Gaza)

between

PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT
AND RECONSTRUCTION

(an Agency of the Palestine Liberation Organization-PLO)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of a grant provided
by Denmark)

Dated November 29, 1994

DANISH GRANT RELATED TO CREDIT NUMBER TF 026073 GZ

DANISH GRANT AGREEMENT

AGREEMENT dated November 29, 1994, between the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the Administrator) of a grant (the Grant) provided by the Government of Denmark (Denmark) and PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (the Recipient), an agency of the Palestine Liberation Organization (the PLO).

WHEREAS (A) under an agreement (the Trust Fund Credit Agreement or TFCA) dated September 7, 1994, between the Administrator and the Recipient, the Administrator has agreed to provide the Recipient with a credit (the Credit) in the amount of US\$30,000,000 to assist in financing the carrying out in the West Bank and Gaza (the Occupied Territories) of the Emergency Rehabilitation Project described in Schedule 3 to the TFCA (the Project);

(B) Denmark, has agreed, under a letter of agreement (Letter of Agreement) with the Administrator, dated September 26, 1994 to provide the Grant in the amount of one hundred twenty million Danish Kroners (Dkk 120,000,000) to assist in financing the Project;

(C) Denmark and the Administrator have agreed, under the Letter of Agreement, to assign the responsibility for administration of utilization of the proceeds of the Grant for purposes of the Project to the Administrator; and

(D) the Administrator undertook under the Letter of Agreement to implement the procedures and conclude the agreements required to implement the Letter of Agreement and to achieve the objectives of the Grant;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The General Conditions described in Schedule 1 to the TFCA (the General Conditions) shall apply mutatis mutandis to this Agreement.

Section 1.02. The several terms defined in the TFCA, the General Conditions referred to in the preceding Section and in the Preamble to this Agreement have the respective meanings therein set forth and (a) the term "Grant Account" means the account maintained by the Administrator, in which the amount of the Grant is deposited, and (b) the term "Grant Special Account" means the account to be opened by the Recipient pursuant to the provisions of Section 2.03 of this Agreement.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, the Grant in the amount of one hundred twenty million Danish Kroners (Dkk 120,000,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services approved for financing from the proceeds of the Grant in accordance with the provisions of this Agreement.

(b) The Recipient shall, for purposes of the Grant, open and maintain a special deposit account in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. Deposits into and payments out of the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. Except as the Administrator shall otherwise agree, work, goods and services to be financed from the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1997 or such later date as shall be determined by the Administrator in agreement with Denmark. The Administrator shall promptly notify the Recipient of such later date.

Section 2.05. Disbursement from the proceeds of the Grant (including deposits into the Special Account) shall be made only to the extent that resources adequate to meet such disbursement shall have been transferred from Denmark to the Administrator.

ARTICLE III

Execution of the Project

Section 3.01. Except as the context may otherwise require, Articles III, IV and V of, and Schedule 5 to, the TFCA are hereby incorporated into this Agreement with the same force and effect as if they are fully set forth herein. For this purpose all references in said Articles and Schedule to: (a) the "Administrator" shall be deemed to be references to the International Development Association as Administrator of the Grant; (b) the "Credit" and "Credit Account" shall be deemed to be references to the Grant and the Grant Account, and (c) the "Special Account" shall be deemed to be references to the Special Account referred to in Section 2.02 (b) of this Agreement.

Section 3.02. Except as the Administrator (with the agreement of Denmark) shall otherwise agree, the Recipient shall ensure that the entire amount of the Grant shall be allocated for works, goods and services required for the carrying out of Project components in the areas of roads, water and wastewater and sanitation, project management and institutional support.

ARTICLE IV

Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon the effectiveness of the Letter of Agreement and shall continue in force until termination of the Letter of Agreement, or until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations thereunder, whichever occurs first.

Section 4.02. In accordance with the Letter of Agreement the rights and obligations of the Administrator under this Agreement may be terminated under a notice from one party to the other. The Recipient accepts and agrees that, upon notice by the Administrator to the Recipient to that effect, Denmark shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if Denmark had been an original party to this Agreement, without any further action or formality required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations under this Agreement.

ARTICLE V

Representatives

Section 5.01. The Managing Director of the Recipient shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Palestinian Economic Council
for Development and Reconstruction
95 Rue Mouawya Ibn Abou Soufiane Street
El Mensah VI-Tunis
Republic of Tunisia

or

c/o Palestinian Authority
Jericho

For the Administrator:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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

PALESTINIAN ECONOMIC COUNCIL FOR
DEVELOPMENT AND RECONSTRUCTION

By /s/ Yasser Arafat

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Grant provided
by Denmark

By /s/ Caio Koch-Weser

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in Dkk)	% of Expenditures to be Financed
(1) Works	72,000,000	100%
(2) Goods	24,000,000	100%
(3) Expert services and training	12,000,000	100%
(4) Unallocated	12,000,000	
TOTAL	120,000,000	

2. Notwithstanding the provisions of paragraph 1 above, except as the Administrator shall otherwise agree, no withdrawals shall be made in respect of payments made for expenditures prior to the date hereof.

SCHEDULE 2

Procurement and Consultants' Services

Section I. General Requirements

In implementation of a requirement stated, with the approval of the Recipient, in the Letter of Agreement, the Recipient shall ensure in the administration of the procurement procedures set forth in this Schedule that one-half of the Grant amount shall be used to finance contracts with Danish contractors, suppliers and consultants.

Section II. Procurement of Goods and Works

Part A: Competitive Bidding

Except as required under Section I above or provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Administrator in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Administrator, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A or,

if feasible, where competitive bidding is limited to Danish contractors or suppliers, the Recipient shall use the relevant standard bidding documents issued by the Administrator, with such modifications thereto as the Administrator shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Administrator, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Administrator.

Part B: Preference for Domestic Manufacturers

In the procurement of goods under international competitive bidding in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Occupied Territories will be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the international competitive bidding procedures described in Part A of this Schedule, the Recipient will grant a margin of preference to domestic contractors from the Occupied Territories in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Items of works estimated to cost the equivalent of \$2,000,000 or less per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Administrator. Such procedures shall ensure, inter alia, that: (i) tenders will be advertised for at least two consecutive days in a local newspaper of wide circulation; (ii) prospective bidders will be allowed a minimum of 30 days between the first appearance of notification and bid submission; (iii) bidding documents will follow the formats of the Administrator's Standard Bidding Documents or those used by United Nations Agencies operating in the Territories; (iv) if interested, foreign bidders will be allowed to submit bids; (v) bids will be submitted in sealed envelopes, and both mailed and hand-carried bids will be accepted; (vi) all bids will be opened at the same time in public; (vii) contracts will be awarded to the lowest evaluated bidder; (viii) bidders will not be asked, nor allowed, to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in the Guidelines; and (ix) in the absence of prequalification, postqualification criteria will be explicitly stated in the bidding documents.

2. Items of goods estimated to cost the equivalent of \$250,000 or less may be procured under contracts awarded through limited international shopping procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers (i) from not less than three countries (including the Occupied Territories) in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof), or (ii) from not less than three suppliers from Denmark (if such limitation is required to meet the requirement set forth in Section I of this Schedule).

3. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers in the Occupied Territories eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Proprietary items may be procured under contracts to be directly negotiated with the suppliers thereof, in accordance with procedures satisfactory to the Administrator.

Part E: Review by the Administrator of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for works estimated to cost the equivalent of more than \$2,000,000 and each contract for goods estimated to cost the equivalent of more than \$250,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed

copies of the contract required to be furnished to the Administrator pursuant to said paragraph 2 (d) shall be furnished to the Administrator prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the pre-ceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Administrator pursuant to said paragraph 3 shall be furnished to the Administrator as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section III. Employment of Consultants

1. In order to assist the Recipient in the carrying out of activities to be financed from the Grant, the Recipient shall employ consultants who shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Administrator in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Administrator, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, the Recipient shall use other standard forms agreed with the Administrator.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Administrator review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Administrator or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to Dkk 20,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request

or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Recipient may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement,

including the General Conditions.

