

CONFORMED COPY

TF 026092

Trust Fund Credit Agreement

(Electric Sector Investment and Management 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 September 29, 1999

TF 026092

TRUST FUND CREDIT AGREEMENT

AGREEMENT, dated September 29, 1999, 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 further amended by Resolution 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 July 13, 1998, to, inter alia, replenish the Trust Fund in the amount of ninety million dollars (\$90,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip (Gaza) and the West Bank (the West Bank) which are under the jurisdiction of the Palestinian Authority (as this term is hereinafter defined);

(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 5 (b) of Article IX of the Interim Agreement authorizes the Palestine 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 Palestinian Authority intends to contract from the Government of the Republic of Italy (Italy) a loan (the Italy Loan) in an aggregate amount equivalent to thirty-five million dollars (\$35,000,000) to assist in financing Parts A.1 (c) and C of the Project, described in Schedule 2 of this Agreement, on the terms and conditions set forth in an agreement (the Italy Loan Agreement), to be entered into between the Palestinian Authority and Italy;

(E) the Palestinian Authority has contracted from the European Investment Bank (EIB) a loan (the EIB Loan) in an amount equivalent to thirty-eight million dollars (\$38,000,000) to finance Parts A.1 (b) and A.2 of the Project on the terms and conditions set forth in an agreement (the EIB Loan Agreement) to be entered into between the Palestinian Authority and EIB;

(F) the Administrator received a letter dated July 6, 1997, from the Palestinian Authority describing a program of actions, objectives and policies designed to restructure and further develop the power sector in the parts of the West Bank under the jurisdiction of the Palestinian Authority (the Program) and declaring the Palestinian Authority's commitment to the execution of the Program;

(G) the Palestinian Authority, on behalf of the Borrower, has requested the Administrator to assist in financing the Project described in Schedule 2 to this Agreement; 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 Palestinian Authority, 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. 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), as amended, with the following modifications thereto (the General Conditions), constitute an integral part of this Agreement.

(a) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(b) Paragraph (g) of Section 6.02 is re-lettered as paragraph (k) and the following new paragraphs (g) through (j) are added in said Section 6.02:

"(g) The Borrower or any Project implementation entity shall, without the consent of the Administrator, have (i) assigned or transferred, in whole or in part, any of its obligations arising under the Trust Fund Credit 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 Credit, except with respect to transactions in the ordinary course of business which, in the opinion of the Administrator, (A) do not materially and adversely affect

the ability of the Borrower to perform any of its obligations under the Trust Fund Credit Agreement or to achieve the objectives of the Project, or the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Credit Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Project implementation entity.

(h) Any Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of the Trust Fund Credit Agreement.

(i) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of any Project implementation entity.

(j) In the opinion of the Administrator, the legal character, ownership or control of any Project implementation entity shall have changed from that prevailing as of the date of the Trust Fund Credit Agreement so as to materially and adversely affect (i) the ability of the Borrower to perform any of its obligations under the Trust Fund Credit Agreement or to achieve the objectives of the Project; or (ii) the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Credit Agreement, or to achieve the objectives of the Project."

(c) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Administrator. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Administrator determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Administrator determines, with respect to any contract to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Administrator to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) at any time, the Administrator determines that the procurement of any contract to be financed out of the proceeds of the Credit is inconsistent with the procedures set forth or referred to in the Trust Fund Credit Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Credit, or (e) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Administrator may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

(d) Paragraph (d) of Section 7.01 is re-lettered as paragraph (h) and the following are added as new paragraphs (d) through (h) of said Section:

"(d) The Borrower or any Project implementation entity shall, without the consent of the Administrator, have (i) assigned or transferred, in whole or in part, any of its obligations arising under the Trust Fund Credit 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 Credit, except with respect to transactions in the ordinary course of business which, in the opinion of the Administrator, (A) do not materially and adversely affect the ability of the Borrower to perform any of its obligations under the Trust Fund Credit Agreement or to achieve the objectives of the Project, or the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Credit Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Project implementation entity.

(e) Any Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of the Trust Fund Credit Agreement.

(f) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of any Project implementation entity.

(g) In the opinion of the Administrator, the legal character, ownership or control of any Project implementation entity shall have changed from that prevailing as of the date of the Trust Fund Credit Agreement so as to materially and adversely affect (i) the ability of the Borrower to perform any of its obligations under the Trust Fund Credit Agreement or to achieve the objectives of the Project; or (ii) the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Credit Agreement, or to achieve the objectives of the Project."

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) "JDECO" means the Jerusalem District Electricity Company Ltd., the company responsible for power distribution in the central part of the West Bank, registered in the Jerusalem company register No. 51-052349-1 on August 4, 1969;

(b) "SELCO" means the Southern Electricity Company, the company responsible for power distribution in the southern part of the West Bank (except for the Hebron Municipality), registered in the company register No. 562439422 on December 14, 1998;

(c) "HEPCO" means the Hebron Electric Power Company, the company responsible for power distribution in the Hebron Municipality, to be established pursuant to the Companies Law;

(d) "Onlending Agreements" means, collectively, the agreements to be entered into by the Palestinian Authority (on behalf of the Borrower) and JDECO, SELCO, and HEPCO, respectively, pursuant to Section 3.01 (d), (e) and (f) of this Agreement, as the same may be amended from time to time, and such term shall include any schedule to the respective On-lending Agreement;

(e) "PEA" means the Palestinian Energy Authority, a public authority established and operating in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority pursuant to a Decree of the Ra'ees of the Palestinian Authority, dated August 31, 1995, as the same may be amended from time to time;

(f) "JDECO Special Account," "SELCO Special Account," "HEPCO Special Account" and "PEA Special Account" mean the accounts referred to in Section 2.02 (b) of this Agreement;

(g) "Subsidiary Agreement" means the agreement to be entered into between the Borrower and the Palestinian Authority pursuant to Section 3.01 (b) 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

(h) "Management Contract" means the performance-based contract to be entered into by SELCO with a private sector operator for the initial start-up and management of SELCO.

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 fifteen million dollars (\$15,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit 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, works and services required for Parts A.1 (a) and B of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may open and maintain, in dollars, four (4) separate special deposit accounts in one or more commercial banks on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment. The JDECO Special Account shall be used exclusively to finance expenditures under Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; SELCO Special Account shall be used exclusively to finance expenditures under Categories (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; HEPCO Special Account shall be used exclusively to finance expenditures under Categories (6) and (7) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and PEA Special Account shall be used exclusively to finance expenditures under Category (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004, 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 Palestinian Authority 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 canceled; 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 Palestinian Authority 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 April 1, and October 1, in each year.

Section 2.07. The Borrower shall cause the Palestinian Authority to repay the principal amount of the Credit in semiannual installments payable on each April 1 and October 1 commencing October 1, 2009, and ending April 1, 2039. Each installment to and including the installment payable on April 1, 2019, 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. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the

Project as set forth in Schedule 2 to this Agreement, and, to this end, shall, through the Palestinian Authority, carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) The Borrower 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; and (iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

(d) Without prejudice to the provisions of paragraphs (b) and (c) above, the Borrower shall cause the Palestinian Authority to relend the proceeds of the Credit allocated from time to time to Categories (1), (2) and (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to JDECO under an on-lending agreement to be entered into between the Palestinian Authority (on behalf of the Borrower) and JDECO, under terms and conditions which shall have been approved by the Administrator which shall include, inter alia: (i) that JDECO shall carry out Parts A.1 (a) and B.1 of the Project in accordance with the provisions set forth in Schedule 5 to this Agreement; (ii) that interest on the principal amount of the on-lent proceeds withdrawn and outstanding from time to time shall be six percent (6 %) per annum; (iii) that the on-lent proceeds shall be repaid over a period of twenty (20) years, including three (3) years of grace; and (iv) that the principal amount of the on-lent proceeds shall be the equivalent in dollars (determined as of the respective dates of withdrawal from the Credit Account or payment out of the JDECO Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods, works and services required by JDECO to carry out Parts A.1 (a) and B.1 of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (1), (2) and (3) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

(e) Without prejudice to the provisions of paragraphs (b) and (c) above, the Borrower shall cause the Palestinian Authority to relend the proceeds of the Credit allocated from time to time to Categories (4) and (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to SELCO under an on-lending agreement to be entered into between the Palestinian Authority (on behalf of the Borrower) and SELCO, under terms and conditions which shall have been approved by the Administrator which shall include, inter alia: (i) that SELCO shall carry out Part B.2 of the Project; (ii) that interest on the principal amount of the on-lent proceeds withdrawn and outstanding from time to time shall be two percent (2%) per annum; (iii) that the on-lent proceeds shall be repaid over a period of twenty-five (25) years, including ten (10) years of grace; and (iv) that the principal amount of the on-lent proceeds shall be the equivalent in dollars (determined as of the respective dates of withdrawal from the Credit Account or payment out of the SELCO Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods, works and services required by SELCO to carry out Part B.2 of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (4) and (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

(f) Without prejudice to the provisions of paragraphs (b) and (c) above, the Borrower shall cause the Palestinian Authority to relend the proceeds of the Credit allocated from time to time to Categories (6) and (7) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, to HEPCO under an on-lending agreement to be entered into between the Palestinian Authority (on behalf of the Borrower) and HEPCO, under terms and conditions which shall have been approved by the Administrator which shall include, inter alia: (i) that HEPCO shall carry out Part B.3 of the Project; (ii) that interest on the principal amount of the on-lent proceeds withdrawn and outstanding from time to time shall be two percent (2%) per annum; (iii) that the on-lent proceeds shall be repaid over a period of twenty-five (25) years, including

ten (10) years of grace; and (iv) that the principal amount of the on-lent proceeds shall be the equivalent in dollars (determined as of the respective dates of withdrawal from the Credit Account or payment out of the HEPCO Special Account) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods, works and services required by HEPCO to carry out Part B.3 of the Project and to be financed out of the proceeds of the Credit allocated from time to time to Categories (6) and (7) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

(g) The Borrower, through the Palestinian Authority, shall make available to PEA on a grant basis the proceeds of the Credit allocated from time to time to Category (8) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, under arrangements which shall have been approved by the Administrator.

(h) The Borrower shall exercise its rights under the Subsidiary Agreement, and shall cause the Palestinian Authority to exercise its rights under the On-lending Agreements, in such manner as to protect the interests of the Borrower, the Palestinian Authority and the Administrator and to accomplish the purposes of the Credit, and, except as the Administrator shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof, and shall cause the Palestinian Authority not to assign, amend, abrogate or waive any of the On-lending Agreements or any provision thereof.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower, through the Palestinian Authority, shall: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof; (b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about August 30, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (c) review with the Administrator, by November 30, 2001, or such later date as the Administrator shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

ARTICLE IV

Financial Covenants

Section 4.01.(a) The Borrower, through the Palestinian Authority, shall: (i) maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of Part B.4 of the Project of the agencies and departments of the Palestinian Authority responsible for carrying out Part B.4 of the Project. and (ii) cause JDECO, SELCO and HEPCO, respectively, to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial conditions.

(b) The Borrower shall cause the Palestinian Authority to: (i) have the records and accounts referred to in paragraph (a) (i) of this Section (including those for the Special Accounts) 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 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 and accounts and the audit thereof as the

Administrator shall from time to time reasonably request.

(c) The Borrower, through the Palestinian Authority, shall cause each of JDECO, SELCO and HEPCO: (i) to have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each 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 fiscal year: (A) certified copies of its financial statements for such year as so audited, and (B) 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 financial statements as well as the audit thereof, as the Administrator shall from time to time reasonably request.

(d) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall cause the Palestinian Authority to: (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures; (ii) retain, until at least one (1) year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Administrator's representatives to examine such records; and (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of JDECO, SELCO or HEPCO, or for the suspension of JDECO's, SELCO's or HEPCO's operations.

(b) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(c) The Italy Loan Agreement or the EIB Loan Agreement shall have failed to become effective by June 30, 2000, or such later date as the Administrator may agree, provided, however, that the provisions of this paragraph shall not apply if the Borrower shall establish to the satisfaction of the Administrator that adequate funds are available to the Project from other sources on terms and conditions consistent with obligations of the Borrower under the Italy Loan Agreement or the EIB Loan Agreement.

(d) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of the Italy Loan or the EIB Loan shall have been suspended, canceled or terminated, in whole or in part, pursuant to the terms of the agreement providing therefor; or (B) the Italy Loan or the EIB Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower shall establish to the satisfaction of the Administrator that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under the Italy Loan Agreement or the EIB Loan Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (d) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the provisions of paragraph (d) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 of the General Conditions:

(a) that the Subsidiary Agreement has been executed on behalf of the Borrower and the Palestinian Authority; and

(b) that an On-lending Agreement has been executed on behalf of the Palestinian Authority and JDECO.

Section 6.02. The following is specified as additional matters, 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:

(a) that the Subsidiary Agreement has been duly authorized or ratified by, and is legally binding upon, the Borrower and the Palestinian Authority in accordance with its terms; and

(b) the On-lending Agreement has been duly authorized or ratified by, and is legally binding upon, the Palestinian Authority and JDECO in accordance with its terms.

Section 6.03. 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.

Section 6.04. The obligations of the Borrower under Section 4.01 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date twenty-five (25) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Palestinian Authority is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

c/o Ministry of Finance of the Palestinian Authority
Beirut Street, Rimal
Gaza City, Gaza

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:

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 the District of Columbia, United States of America, as of the day and year first above written.

PALESTINE LIBERATION ORGANIZATION
for the Benefit of the Palestinian Authority

By /s/ Mohammed Nashashibi

Authorized Representative

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

By /s/ Kemal Dervis

Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in US Dollar Equivalent)	% of Eligible Expenditures to be Financed
(1) Civil works under Part A.1 (a) of the Project	1,000,000	100% of foreign expenditures and 85% of local expenditures
(2) Goods under Part A.1(a) of the Project	3,400,000	100% of foreign expenditures and 85% of local expenditures
(3) Consultants' services and training for JDECO under Part B.1 of the Project	2,200,000	100%
(4) Consultants' services and training for SELCO under Part B.2 of the Project	1,000,000	100%
(5) Initial start-up and Operating Expenditures	1,000,000	85% for expenditures incurred before

	for SELCO under Part B.2 of the Project		June 30, 2001 and 65% thereafter
(6)	Consultants' services and training for HEPCO under Part B.3 of the Project	1,100,000	100%
(7)	Initial start-up and Operating Expenditures for HEPCO under Part B.3 of the Project	1,500,000	85% for expenditures incurred before June 30, 2001 and 65% thereafter
(8)	Consultants' services and training for PEA under Part B.4 of the Project	2,000,000	100%
(9)	Unallocated	1,800,000	
	TOTAL	15,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures for goods or services supplied from the territory of any country other than the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority;

(b) the term "local expenditures" means expenditures in the currency used in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority or for goods or services supplied from the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority, provided, however, that if the currency used in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority is also that of a country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "Initial start-up and Operating Expenditures" means expenditures incurred on account of the Project for payments of salaries, rental of office space, utility charges, vehicles, maintenance of vehicles, fuel, office supplies, communications services and travel expenses.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for:

(a) expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,000,000, may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after November 1, 1998;

(b) expenditures in respect of Categories (4) and (5), until (i) SELCO has entered into the Management Contract acceptable to the Administrator; (ii) an On-lending Agreement has been executed on behalf of the Palestinian Authority and SELCO; and (iii) an opinion, within the meaning of Section 12.02 of the General Conditions, has been furnished to the Administrator stating that the On-lending Agreement has been duly authorized or ratified by, and is legally binding upon the Palestinian Authority and SELCO in accordance with its terms; and

(c) expenditures in respect of Categories (6) and (7), until (i) HEPCO has been registered as a company under the Companies Law in the company register; (ii) HEPCO has furnished to the Administrator a business plan acceptable to the Administrator; (iii) an On-lending Agreement has been executed on behalf of the Palestinian Authority and HEPCO; and (iv) an opinion, within the meaning of Section 12.02 of the General Conditions, has been furnished to the Administrator stating that the On-lending Agreement has been duly authorized or ratified by, and is legally binding upon the Palestinian Authority in accordance with its terms.

4. The Administrator may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) goods costing less than the equivalent

of \$500,000 per contract; (ii) works costing less than the equivalent of \$1,000,000 per contract; (iii) contracts costing less than the equivalent of \$100,000 for services with firms; (iv) contracts costing less than the equivalent of \$50,000 for services with individuals; (v) contracts for training, studies, seminars and workshops; and (vi) initial start-up and Operating Expenditures.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to initiate a restructuring of the power sector in the West Bank through the consolidation of several municipal electricity departments into privately-operated distribution companies; and (b) to upgrade the power distribution system in the central and southern regions of the West Bank in order to provide electricity to consumers in an efficient and reliable manner.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree from time to time to achieve such objectives:

Part A: Rehabilitation and Expansion of the Power Distribution Network

1. Carrying out a program to rehabilitate the power distribution system in (a) the Ramallah area of the West Bank; (b) other areas in the central region of the West Bank; and (c) the southern region of the West Bank.
2. Carrying out a program to expand the power distribution system in the Bethlehem area in the central region of the West Bank.

Part B: Institutional Strengthening

1. Strengthening of JDECO in the areas of financial management, billing, collection and project management through the provision of expert services and training.
2. Strengthening of SELCO's capacity to operate as a financially sound and technically capable power distribution company through the provision of expert services, training and goods related to the initial start-up of the company.
3. Strengthening of HEPCO's capacity to operate as a financially sound and technically capable power distribution company through the provision of expert services, training and goods related to the initial start-up of the company.
4. Support to PEA, through the provision of expert services and training, for purposes, inter alia, of modernizing and reforming the power sector's legal and regulatory framework, carrying out tariff studies, preparing technical and safety standards and completing pre-feasibility studies to expand the power distribution system in the central and southern regions of the West Bank.

Part C: Management Support

Support to JDECO, through, inter alia, the provision of goods and expert services, to ensure the effective implementation of Part A of the Project.

* * * * *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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" published by the

Administrator in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. Goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B shall be subject to the following provision, namely, that the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the West Bank or Gaza.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works shall be procured under contracts awarded on the basis of national competitive bidding in accordance with procedures acceptable to the Administrator. Said procedures shall ensure, inter alia, that: (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, or with the format of bidding documents used by United Nations Agencies operating in the West Bank and Gaza; (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; (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 Guidelines; and (x) post qualification criteria shall, in the absence of a prequalification process, be explicitly stated in the bidding documents.

2. National Shopping

Goods estimated to cost less than \$200,000 equivalent per contract, and not to exceed \$2,000,000 equivalent in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with provisions 3.5 and 3.6 of the Guidelines.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$1,000,000 or more, and each contract for goods estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Administrator in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part C of the Project estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures or the Selection of Consultants

Services for short term advisory services may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Administrator for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) in respect of JDECO Special Account, Categories (4) and (5) in respect of SELCO Special Account, Categories (6) and (7) in respect of HEPCO Special Account, and Category (8) in respect of PEA Special Account, all as 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, works and services required for the Project and to be financed out of the proceeds of the Credit 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 to be withdrawn from the Credit Account and deposited into a Special Account pursuant to paragraph 3 (a) of this Schedule equivalent, in case of JDECO Special Account, to \$1,000,000, in case of SELCO Special Account, to \$500,000, in case of HEPCO Special Account, to \$500,000, and, in case of PEA Special Account, to \$500,000.

2. Payments out of a 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 a Special Account has been duly opened, withdrawals of the Authorized Allocation relative to said Special Account, and subsequent withdrawals to replenish the Special Account, shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower 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 Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of a Special Account, the Borrower 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 Borrower 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 Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower 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 Credit 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 Borrower out of a Special Account, the Borrower 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 either Special Account:

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

(b) if the Borrower shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Administrator shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit 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 aggregate amount of the Authorized Allocation for Special Account A and Special Account B.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. 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 a 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 a 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 Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account in question (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 either Special Account shall be made until the Borrower 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 a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

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

SCHEDULE 5

TERMS AND CONDITIONS OF THE ONLENDING AGREEMENT

The Onlending Agreement pursuant to which JDECO shall carry out Parts A.1 (a) and B.1 of the Project shall contain the following provisions:

1. JDECO shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate number.

2. JDECO shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and

environmental practices.

3. JDECO shall take out and maintain with responsible insurers, or make other provision satisfactory to the Administrator for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

4. (a) Except as the Administrator shall otherwise agree, JDECO shall not incur any debt unless a reasonable forecast of the revenues and expenditures of JDECO shows that the estimated net revenues of JDECO for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of JDECO in such year on all debt of JDECO including the debt to be incurred.

(b) For the purposes of this Section:

(i) the term "debt" means any indebtedness of JDECO maturing by its terms more than one (1) year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contact, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) the term "reasonable forecast" means a forecast prepared by JDECO not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Administrator and JDECO accept as reasonable and as to which the Administrator has notified JDECO of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of JDECO.

(vii) Whenever for the purposes of the Section it shall be necessary to value, in terms of the currency in use in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

5. (a) Except as the Administrator shall otherwise agree, JDECO shall not: (i) declare any dividend or make any other distribution with respect to its share capital, unless, after such dividend has been paid or other distribution has been made, the current assets of JDECO would equal or exceed 1.5 times the current liabilities of JDECO.

(b) For the purposes of this Section:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency in use in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

6. (a) Except as the Administrator shall otherwise agree, JDECO shall maintain a ratio of current assets to current liabilities of not less than 1.5.

(b) Before October 1 in each of its fiscal years, JDECO shall, on the basis of forecasts prepared by JDECO and satisfactory to the Administrator, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Administrator the results of such review upon its completion.

(c) If any such review shows that JDECO would not meet the requirements set forth in paragraph (a) for JDECO's fiscal years covered by such review, JDECO shall promptly take all necessary measures (including, without limitation, adjustments of the structure of levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve (12) months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency in use in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

