
CONFORMED COPY

GRANT NUMBER TF092099-GZ

Trust Fund Grant Agreement

(Social Safety Net Reform Project – Additional Financing)

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 11, 2008

GRANT NUMBER TF 092099-GZ

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated September 11, 2008 between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the "World Bank"), 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 Resolution No. 96-11 and IDA 96-7, and as further amended by Resolution No. 99-3 and IDA 99-2 and Resolution No. 03-193 and IDA 03-208 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 January 31, 2007, to, *inter alia*, replenish the Trust Fund in the amount of fifty million dollars (\$50,000,000), 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;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, among other things, 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; and

(D) the Palestinian Authority, on behalf of the Recipient, has requested the World Bank to provide additional financing for activities related to the Original Project (as defined in the Appendix I to this Agreement) which are described in Schedule 1 to this Agreement (the "Project");

WHEREAS the Administrator has agreed, on the basis, among other things, of the foregoing to extend the Grant to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, upon the terms and conditions set forth in this Grant Agreement;

The Recipient and the Administrator hereby agree as follows:

ARTICLE I - STANDARD CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 (“Standard Conditions”) including the modifications set out in Appendix II to this Agreement, constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

ARTICLE II - GRANT

- 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to ten million United States dollars (US\$10,000,000) (“Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project described in Schedule 1 to this Agreement. To this end, the Recipient shall cause the Palestinian Authority to carry out the Project through the Ministry of Social Affairs and in coordination with the MOH, MOEHE, MOF, MOP, MOPT, PCBS and UNRWA, in accordance with the provisions of Article II of the Standard Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE WORLD BANK

- 4.01. The Additional Events of Suspension referred to in the re-lettered Section 4.02(g) of the Standard Conditions consist of the following:
 - (a) the IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA; and

- (b) the World Bank determines that any representative of the Recipient or any other recipient of any of the proceeds of the Grant has engaged in corrupt, fraudulent, coercive or collusive practices in connection with the use of the proceeds of the Grant, without the Recipient or any other such recipient having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Administrator has been furnished to the Administrator that the conditions specified below have been satisfied:
 - (a) the Subsidiary Agreement referred to in Section I.B of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Palestinian Authority, as represented by the Minister of Finance of the Palestinian Authority; and
 - (b) the MOSA Project Team in the West Bank and in Gaza has been adequately staffed, including with a Project manager, with terms of reference acceptable to the Administrator, and overall management arrangements are in place, in a manner satisfactory to the Administrator.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing the following matters:
 - (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
 - (b) the Subsidiary Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon each such party in accordance with its terms.
- 5.03. Except as the Recipient and the Administrator shall otherwise agree, this Agreement shall enter into effect on the date upon which the Administrator dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if this

Agreement had been effective, the Administrator may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04 This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Administrator, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance of the Palestinian Authority.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

H.E. Dr. Salam Fayyad
Prime Minister and Minister of Finance
Palestinian National Authority
Ramallah, West Bank and Gaza

Telephone:

970-2-297 8846

Facsimile:

970-2-297 8845

- 6.03. The World Bank's Address is:

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

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at the West Bank, as of the day and year first above written.

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

By /s/ Salam Fayyad

Authorized Representative

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

By /s/ David Craig

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) mitigate the impact of the continued socio-economic crisis on a subset of the poorest and most vulnerable households; and (ii) strengthen MOSA's institutional capacity to manage cash transfer programs.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objective:

Part A: Pilot Cash Transfers to Poor Households

Provision of Pilot Cash Transfers to eligible poor households, selected through use of an appropriate targeting system, in accordance with the Operational Manual.

Part B: Capacity Building

No activities will be undertaken within this component under this Additional Financing.

Part C: Project Management

No activities will be undertaken within this component under this Additional Financing.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the Palestinian Authority, shall cause MOSA to implement the Project in coordination with MOH, MOEHE, MOF, MOP, MOPT, PCBS and UNRWA, and in accordance with the provisions of the Operational Manual and the Disbursement Plan. The Recipient, through the Palestinian Authority, shall not amend, suspend, abrogate, repeal or waive any provision of the Operational Manual or Disbursement Plan without prior approval of the Administrator.
2. The Recipient, through the Palestinian Authority, shall maintain a PCC consisting of the Ministers, or their designated representatives, of Social Affairs, Finance, Health, and Education and Higher Education of the Palestinian Authority. The PCC shall be responsible for providing overall policy guidance on Beneficiary targeting and payment policy.
3. The Recipient, through the Palestinian Authority, shall cause local representatives of MOSA, MOH and MOEHE to assure coordination at the district level in relation to compliance by Beneficiaries with eligibility criteria, terms and conditions for the Provision of Pilot Cash Transfers and all other operational matters under Part A of the Project.
4. The Recipient, through the Palestinian Authority, shall: (a) cause the MOSA to maintain the adequately staffed, funded and operational MOSA Project Team in the West Bank and in Gaza, charged with implementation of the Project; and (b) cause the MOSA to vest responsibility for: (i) targeting, verification, compliance coordination with PCBS and other ministries in the MOSA's Directorate General for Social Development; and (ii) coordinating activities, conducting training, and implementing the Project guidelines in the MOSA's Directorate for District Offices. The Recipient, through the Palestinian Authority, shall cause the MOF International Relations Department and the MOSA Directorate General for Finance and Administration to vest responsibility for financial management, accounting and internal auditing, including preparation of periodic financial reports.
5. Except as the Administrator shall otherwise agree, Pilot Cash Transfers shall be made only to the Beneficiaries who satisfy the eligibility criteria and, if applicable, the conditions, set forth in the Operational Manual. The eligibility criteria shall include, *inter alia*, that the Beneficiaries shall be considered the

poorest of the poor pursuant to a poverty level measured through a proxy means test formula acceptable to the Administrator.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a subsidiary agreement between the Recipient and the Palestinian Authority, under terms and conditions approved by the World Bank.
2. The Recipient 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.
3. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, through the Palestinian Authority, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the Administrator. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Administrator not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 2.06 (b) (ii) of the Standard Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Administrator not later than December 31, 2012.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall, through the Palestinian Authority, prepare and furnish to the Administrator not later than forty-five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Administrator.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one calendar year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Administrator not later than six (6) months after the end of such period.

Section III. Withdrawal of the Proceeds of the Grant**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Administrator shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Administrator and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

Category	Amount of the Grant Allocated (expressed in US\$)	Percentage of Expenditures to be Financed
Pilot Cash Transfers	10,000,000	100%
TOTAL AMOUNT	<u>10,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement.
 - (b) under Category 1, unless: (a) 60% of the amount allocated to Category 1 of Schedule 1, Section 1 in the Original Trust Fund Grant Agreement have been distributed to Beneficiaries; and (b) the Recipient has provided evidence satisfactory to the Administrator that the Original Project and the Additional Financing have been carried out in accordance with the Disbursement Plan and the Operational Manual.
2. The Closing Date is June 30, 2012.

APPENDIX - I**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means any of the children’s mothers, or, in the absence of the natural mother, any recipient of a Pilot Cash Transfers, all as defined in the Operational Manual.
3. “Category” means a category set forth in the table in Section III of Schedule 2 to this Agreement.
4. “Disbursement Plan” means the work plan dated March 24, 2008, setting forth the projected disbursement targets and modalities for disbursements under the Original Project and the Additional Financing.
5. “Ministry of Finance” or “MOF” means the Ministry of Finance of the Palestinian Authority and includes any successor thereto.
6. “MOEHE” means the Ministry of Education and Higher Education of the Palestinian Authority and includes any successor thereto.
7. “MOH” means the Ministry of Health of the Palestinian Authority and includes any successor thereto.
8. “MOP” means the Ministry of Planning of the Palestinian Authority and includes and successor thereto.
9. “MOPT” means the Ministry of Post and Telecommunications of the Palestinian Authority and includes any successor thereto.
10. “Ministry of Social Affairs” or “MOSA” means the Ministry of Social Affairs of the Palestinian Authority and includes any successor thereto.
11. “MOSA Project Team” means the team within the MOSA charged with implementation of the Project.
12. “Operational Manual” means the Palestinian Authority’s operations manual, referred to in paragraph A.1 of Section 1 of Schedule 2 of this Agreement, dated April 13, 2004, as revised on March 24, 2008, containing the detailed procedures for the carrying out of the Project, including, *inter alia*: the requirements to be fulfilled by the muderiat (local branches of MOSA) and Beneficiaries as pre-requisites for the provision of Pilot Cash Transfers; the criteria for identification,

registration and selection of Beneficiaries; and, if applicable, the mechanisms for verification of compliance with Pilot Cash Transfers conditions, as the same may be amended from time to time with the agreement of the Administrator.

13. “Original Project” means the Project described in the Original Trust Fund Grant Agreement.
14. “Original Trust Fund Grant Agreement” means the trust fund grant agreement for a Social safety net Reform Project between the Recipient and the Administrator, dated July 19, 2004 (Trust Fund No 53793 GZ).
15. “PCBS” means the Palestinian Central Bureau of Statistics.
16. “PCC” means the Palestinian Authority’s Policy Coordination Committee.
17. “Pilot Cash Transfer” means a grant provided to Beneficiaries under Part A of the Project, pursuant to procedures, eligibility criteria and, if applicable, conditions, as set forth in the Operational Manual.
18. “SHC Program” means the Special Hardship Case program of MOSA.
19. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Grant available to the Palestinian Authority.
20. “UNRWA” means the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

APPENDIX - II

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Section 2.09 is amended to read as follows:

“Section 2.09. *Visits*. The Recipient shall, throughout the implementation of the Project and for a period of ten (10) years thereafter:

(a) enable representatives of the World Bank to visit any part of the West Bank and Gaza under the jurisdiction of the Palestinian Authority for purposes related to the Grant; and

(b) enable the World Bank’s representatives: (i) to visit any facilities and sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Grant, and any documents relevant to the performance of its obligations under the Grant Agreement.”

2. Sub-section (a) of Section 3.07 is amended to read as follows:

“Section 3.07. *Financing Taxes*.

(a) The Grant Agreement may specify that the proceeds of the Grant may not be withdrawn to pay for Taxes levied by, or in the parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply. In such case, if the amount of any such Taxes decreases or increases, the World Bank may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant specified in the Grant Agreement, as required to ensure consistency with such limitation on withdrawals.”

3. Sub-sections (a) and (g) of Section 4.02 are deleted, and consequently, Sub-sections (b) through (i) are re-lettered as Sub-sections (a) through (g).

4. Re-lettered Sub-section (c) of Section 4.02 is amended to read as follows:

“(b) *Cross Suspension*. IBRD or IDA has suspended in whole or in part the right of the Recipient or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to make withdrawals under any agreement with IBRD or with IDA because of a failure by the Recipient, the Project Implementing Entity, or any agency thereof, or any entity in the West Bank and Gaza under the jurisdiction of the Palestinian Authority, to perform any of its obligations under such agreement or any other agreement with IBRD or IDA.”

5. Re-lettered Sub-section (e) of Section 4.02 is amended to read as follows:

“(e) *Assignment of Obligations; Disposition of Assets.* The Recipient or the Project Implementing Entity has, without the consent of the World Bank: (i) assigned or transferred, in whole or in part, any of its obligations arising under or entered into pursuant to the Grant 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 Grant; provided, however, that the provisions of this paragraph shall not apply with respect to transactions in the ordinary course of business which, in the opinion of the World Bank: (A) do not materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant 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.”

6. Re-lettered Sub-section (f) of Section 4.02 is amended to read as follows:

“(f) *Condition of Recipient.* If the Grant has been made to a Recipient which is not a member of IBRD:

- (i) Any action has been taken for the dissolution, disestablishment or suspension of operations of the Project Implementation Entity.
- (ii) The Project Implementation Entity has ceased to exist in the same legal form as that prevailing as of the date of the Grant Agreement.
- (iii) In the opinion of the World Bank, the legal character, ownership or control of the Project Implementation Entity has changed from that prevailing as of the date of the Grant Agreement so as to materially and adversely affect the ability of the Recipient (or such other entity) to perform any of its obligations arising under or entered into pursuant to the Grant Agreement, or to achieve the objectives of the Project.”

7. Sub-section (c) of Section 4.03 is amended to read as follows:

“(c) *Misprocurement; Fraud and Corruption.* The World Bank: (i) determines, with respect to any contract to be financed out of the proceeds of the Grant, that (A) the procurement of such contract is inconsistent with the procedures set forth or referred to in the Grant Agreement; or (B) corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Project Implementing Entity during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to remedy the situation; and (ii) establishes the amount of expenditures under such

contract which would otherwise have been eligible for financing out of the proceeds of the Grant.”

8. Sub-section (a) of Section 4.05 is amended to read as follows:

“(a) If the World Bank determines that an amount of the Grant has been used in a manner inconsistent with the provisions of the Grant Agreement or these Standard Conditions, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank. Such inconsistent use shall include, without limitation, use of such amount to: (i) make a payment for an expenditure that is not an Eligible Expenditure; or (ii) finance a contract during the procurement or execution of which corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Project Implementing Entity, without the Recipient having taken timely and appropriate action satisfactory to the World Bank to remedy the situation.”

9. Sub-section (j) of Section 5.03 is amended to read as follows:

“(j) If, within thirty (30) days after counterparts of the award have been delivered to the parties, the award has not been complied with, any party may: (i) enter judgment upon, or institute a proceeding to enforce, the award in any court of competent jurisdiction against any other party; (ii) enforce such judgment by execution; or (iii) pursue any other appropriate remedy against such other party for the enforcement of the award and the provisions of the Grant Agreement. Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Recipient except as such procedure may be available otherwise than by reason of the provisions of this Section.”

10. Paragraph (17) of the Appendix is deleted and, consequently, paragraphs (18) through (26) are re-numbered as paragraphs (17) through (25).