

CONFORMED COPY

TF023777

## Saudi Grant Agreement

(Relating to the Second Municipal Infrastructure Development Project  
in the West Bank and Gaza)

between

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

and

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of a Grant provided by the Saudi Fund for Development)

Dated September 2, 2000

TF023777

## SAUDI GRANT AGREEMENT

AGREEMENT dated September 2, 2000, between the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the "Administrator") of a grant (the "Grant") provided by the SAUDI FUND FOR DEVELOPMENT (the "Donor"), and the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the "Recipient").

WHEREAS (A) under a proposed agreement, between the Administrator and the Recipient (the Trust Fund Credit Agreement or "TFCA"), the Administrator intends to provide the Recipient with a trust fund credit (the "Credit") in an amount equivalent to seven million five hundred thousand United States dollars (US\$7,500,000) to assist in financing the carrying out in the West Bank and Gaza ("WBG") of the Second Municipal Infrastructure Development Project described in Schedule 2 to the TFCA (the "Project");

(B) the Donor has agreed, under a letter of agreement ("MOA") with the Administrator, dated June 7, 2000, to provide the Grant in an amount equivalent to twenty million United States dollars (US\$20,000,000), of which five million United States dollars (US\$5,000,000) is allocated to assist in financing the Project;

(C) the Donor and the Administrator have agreed, under the MOA, 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 MOA to implement the procedures and conclude the agreements required to implement the MOA 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, as amended, referred to and modified in Section 1.01 of 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 2.02 (b) 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 an amount equivalent to five million United States dollars (US\$5,000,000).

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, works and services approved for financing from the proceeds of the Grant in accordance with the provisions of this Agreement.

(b) The Recipient may, for purposes of the Grant, open and maintain in United States dollars 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 Grant Special Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. Except as the Administrator shall otherwise agree, goods, works and services to be financed from the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to the TFCA.

Section 2.04. The Closing Date shall be August 31, 2004, or such later date as shall be determined by the Administrator in agreement with the Donor. 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 Grant Special Account) shall be made only to the extent that resources adequate to meet such disbursement shall have been transferred from the Donor to the Administrator.

#### ARTICLE III

##### Execution of the Project

Section 3.01. Except as the context may otherwise require, Articles III and IV of, and Schedules 2, 3 and 4 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 Schedules 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 shall otherwise agree, the Recipient shall ensure that the entire amount of the Grant shall be allocated for goods, works and services required for the rehabilitation of roads under the Project.

Section 3.03. In order to enable the Administrator to implement its undertaking under the MOA, the Recipient shall: (i) for purposes of Article 5 (c) of the MOA, put into effect procedures to ensure prior approval by the Fund of the contracting procedures and award decisions with respect to contracts to be financed from the proceeds of the Grant; (ii) for the purposes of Article 8 of the MOA, furnish to the Administrator, adequate information on progress in the carrying out of activities financed from the proceeds of the Grant; and (iii) take appropriate administrative measures towards implementing the arrangements referred to in Article 14 of the MOA.

#### ARTICLE IV

##### Effectiveness; Termination

Section 4.01. This Agreement shall become effective, and shall continue in effect 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, upon:

(a) the fulfillment of all conditions precedent to the effectiveness of the TFCA; and

(b) the signature thereof by the parties hereto.

Section 4.02. In accordance with the MOA, 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, the Donor 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 the Donor 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 Minister of Finance of the Palestinian Authority 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:

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:

MCI 248423; or  
MCI 64145

IN WITNESS WHEREOF, the parties hereto, acting through their representatives duly authorized, have caused this Agreement to be signed in their respective names in Gaza, 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

Saudi Fund

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(as Administrator of a Grant provided by the  
for Development)

By /s/ Joseph Saba  
Authorized Representative

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Grant

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

Category Financed	Amount of the Grant Allocated (Expressed in Dollars)	% of Expenditures to be
(1) Works foreign and	4,000,000	100% of expenditures 85% of local expenditures
(2) Goods foreign	500,000	100% of

		expenditures
and		85% of local expenditures
(3) Consultants' Services	500,000	100% of
foreign		expenditures
and		85% of local expenditures
	TOTAL	5,000,000

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures for goods, works 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; and

(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, works 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, works or services are supplied, expenditures in such currency for such works or services shall be deemed to be "foreign expenditures".

3. 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 of this Agreement.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) expenditures for goods under contracts costing less than \$100,000 equivalent each; (b) expenditures for works under contracts costing less than \$500,000 equivalent each; (c) expenditures for services of consulting firms under contracts costing less than \$100,000 equivalent each; and (d) expenditures for services of individual consultants under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

#### SCHEDULE 2

##### 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, works and services required for the Project and to be financed out of the proceeds of the Grant allocated to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to US\$500,000 to be withdrawn from the Grant Account and deposited into the Grant Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Grant 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 Grant Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Grant 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 Grant 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 Grant 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 Grant Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible Category, 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 Grant 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 Grant 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 Category, 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 Category 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 Grant 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 Grant 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 Grant 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 Grant 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 Grant 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 Grant 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.

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