

Public Disclosure Authorized

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TF052044

DFID Grant Agreement

**(Relating to the Second Emergency Services Support 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 the Grant provided by The Government of the United
Kingdom of Great Britain and Northern Ireland, through its Department for
International Development)**

Dated November 24, 2003

DFID GRANT NUMBER TF052044

DFID GRANT AGREEMENT

AGREEMENT dated November 24, 2003, between the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the “Administrator”) of a grant (the “DfID Grant”) provided by THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND, THROUGH ITS DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (the “Donor”), and PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the “Recipient”).

WHEREAS (A) under an agreement dated December 31, 2002, between the Administrator and the Recipient (the “Trust Fund Grant Agreement” or “TFGA”), the Administrator has agreed to provide the Recipient with a trust fund grant in an amount equivalent to twenty-five million United States dollars (US\$25,000,000) to assist in financing the carrying out, in parts of the West Bank (the West Bank) and the Gaza Strip (Gaza) which are under the jurisdiction of the Palestinian Authority, of the Second Emergency Services Support Project described in Schedule 2 to the TFGA;

(B) the Donor, has agreed, under a memorandum of understanding with the Administrator, dated March 29, 2003, (“MOU”), to provide the DfID Grant in an amount equivalent to one million nine hundred sixty thousand Pounds Sterling (£1,960,000) to assist in financing the activities described in Schedule 2 to this Agreement (the “Project”) which are deemed by the Recipient, the Palestinian Authority and the Administrator to complement the objectives of the Project described in Schedule 2 of the TFGA;

(C) the Donor and the Administrator have agreed, under the MOU, that the responsibility for administration of utilization of the proceeds of the DfID Grant shall be vested in the Administrator; and

(D) the Administrator undertook under the MOU to carry out the procedures and conclude the agreements required to implement the MOU, and to achieve the objectives of the DfID 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 Schedule 7 to the TFGA (the "General Conditions") shall apply *mutatis mutandis* to this Agreement.

Section 1.02. The several terms defined in the TFGA, 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 DfID Grant is deposited, and (b) the term "Grant Special Account" means the account to be opened by Palestinian Authority, on behalf of the Recipient pursuant to the provisions of Section 2.02 (b) of this Agreement.

ARTICLE II

The DfID Grant

Section 2.01. The Administrator agrees to extend to the Recipient, for the benefit of the Palestinian Authority, on the terms and conditions herein set forth or referred to, the DfID Grant in an amount equivalent to one million nine hundred sixty thousand Pounds Sterling (£1,960,000).

Section 2.02. (a) The amount of the DfID 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 salary payments approved for financing from the proceeds of the DfID Grant in accordance with the provisions of this Agreement.

(b) The Recipient may, for purposes of the DfID 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 Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. Except as the Administrator shall otherwise agree, salary payments to be financed from the proceeds of the DfID Grant shall be effected in accordance with the provisions of Section 3.03 to this Agreement.

Section 2.04. The Closing Date shall be November 30, 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 DfID Grant (including deposits into the Special Account) shall be made only to the extent that resources adequate to meet such disbursement shall have been transferred from 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 Schedule 4 to, the TFGA are hereby incorporated into this Agreement with the same force and effect as if they are fully set forth herein. For this purpose, all references in said Articles and Schedule to: (a) the "Administrator" shall be deemed to be references to the International Development Association as Administrator of the DfID Grant; (b) the "Grant" and "Grant Account" shall be deemed to be references to the DfID Grant and the DfID 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 DfID Grant shall be allocated for salary payments required for the carrying out of the Project.

Section 3.03. The Recipient shall cause the Palestinian Authority to ensure that disbursement on account of salary payments to be financed from the proceeds of the DfID Grant, shall be made in the following manner: The Ministry of Finance of the Palestinian Authority shall, on behalf of the Recipient, keep the statement signed by each university teaching staff confirming their date and period of appointment, ID number, bank account detail, position and monthly salary, and receipt of the salary from the university.

ARTICLE IV

Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon signature thereof by the parties hereto and shall continue in effect until termination of the MOU or until the DfID Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations thereunder, whichever occurs first.

Section 4.02. In accordance with the MOU, 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:

Telex:

INDEVAS
Washington, D.C.

MCI 248423
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/ Salam Fayyad

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(as Administrator of the Grant provided
by the Government of the United Kingdom of Great Britain
and Northern Ireland, through its Department for International
Development)

By /s/ Nigel Roberts

Country Director
West Bank and Gaza

SCHEDULE 1

Withdrawal of the Proceeds of the DfID Grant

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

<u>Category</u>	<u>Amount of the DfID Grant Allocated (Expressed in Pounds Sterling)</u>	<u>% of Eligible Expenditures to be Financed</u>
(1) Salaries of university teaching staff	1,960,000	100%
TOTAL	<u>1,960,000</u> =====	

2. Notwithstanding the provisions of paragraph 1 above, except as the Administrator shall otherwise agree, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed one million two hundred thousand Dollars (\$1,200,000) equivalent, may be made in respect of Category (1) on account of payments made before that date but after March 29, 2003.

3. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for salary payments costing less than the equivalent of \$50,000 under such terms and conditions as the Administrator shall specify by notice to the Recipient.

4. It is understood that the percentage of expenditures to be financed under the table set forth in paragraph 1 of this Schedule has been calculated on the basis of an undertaking by the Ministry of Finance of the Palestinian Authority to exclude taxes from the sum total of any and all amounts requested to be withdrawn from the Grant Account for the purpose of financing salary payments under the Project. It is further understood that the levying of taxes on salary payments financed under the Project shall lead to the decrease of the percentages referred to above in accordance with the provisions of Section 5.08 of the General Conditions.

SCHEDULE 2

Description of the Project

The objective of the Project is to provide salary payments to teaching staff at the below mentioned universities in the West Bank and Gaza.

1. Al Najah University;
2. Al Azhar University;
3. Islamic University;
4. Al-Quds University;
5. Bir Zait University;
6. Palestinian Polytechnic University;
7. Hebron University;
8. Beit Lehem University; and
9. Al-Quds Open University.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1), 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 consultants' 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 one million Dollars (US\$1,000,000) to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On

the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible 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 Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

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

(b) once the total unwithdrawn amount of the Grant allocated to the eligible 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 Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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