

Grant Agreement

(Technical Assistance for  
the West Bank and Gaza)

between

PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT  
AND RECONSTRUCTION

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

as Administrator of Grant Funds

Dated March 31, 1994

GRANT AGREEMENT

AGREEMENT, dated March 31, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD), acting as Administrator (the Administrator) of grant funds contributed by donors referred to hereinafter, and PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION (the Recipient).

WHEREAS (A) the Board of Executive Directors of the Bank decided by its Resolution, dated October 19, 1993, to establish a trust fund (the Trust Fund) to receive contributions from bilateral, multilateral and other sources to finance feasibility and pre-feasibility studies for priority economic and social infrastructure projects and to provide technical assistance for institution- building and training in the West Bank and Gaza (the Occupied Territories),

(B) the recipient was established under a Decree dated October 31, 1993 of the Chairman of the Executive Committee of the Palestine Liberation Organization, to serve, on behalf of the Palestinian National Authority, as the principal planning and management agency for the development and reconstruction of the Occupied Territories, and

(C) the donors referred to in Section 1.02(a) of this Agreement have agreed, under letters of agreement with the Administrator, to provide grants to assist in financing activities included within the objectives of the Trust Fund,

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V (with the exception of Section 5.04);
- (vi) Section 8.01 (b);
- (vii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (viii) Sections 10.01, 10.03 and 10.04; and
- (ix) Article XI.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower," wherever used in the General Conditions, means the Recipient;
- (iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan," wherever used in the General Conditions, means the Grant provided under this Agreement;
- (v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
- (vi) the term "Project," wherever used in the General Conditions, means the technical assistance described in Schedule 1 to this Agreement; and
- (vii) Section 4.02 shall be modified to read:

"Withdrawals from the Grant Account shall be made in dollars; provided, however, that if the expenditures to be financed out of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, 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 terms have the following meanings:

(a) "Donor" means any of the bilateral or multilateral agencies or other sources contributing to the Trust Fund;

(b) "Executing Agency" means any entity to which the Recipient shall assign the responsibility for the carrying out of any activity under the Technical

Assistance;

(c) "Special Account" means the account referred to in Section 2.02 (c) of this Agreement; and

(d) "Implementation Unit" means the unit referred to in Section 3.01 of this Agreement.

## ARTICLE II

### The Grant

Section 2.01. (a) The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in the amount of about nineteen million dollars (\$19,000,000) equivalent, being the sum of contributions made prior to the date of this Agreement by Donors for which Letters of Agreement have been signed between Donors and the Administrator, as listed in Schedule 4 to this Agreement, to assist in financing the Project.

(b) On signature of a Letter of Agreement between any of the Donors, as listed in Schedule 4 to this agreement, and the Administrator, further contributions thereunder by Donors to the Trust Fund shall be added to the amount of the Grant and the Administrator shall promptly inform the Recipient of the occurrence thereof.

(c) The Administrator shall be obligated to effect payments to or on behalf of the Recipient from the Grant only to the extent that amounts adequate to cover such payments shall have been paid by Donors into the Trust Fund.

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account to finance 100% of eligible expenditures made (or, if the Administrator shall so agree, to be made) on account of goods or services acquired for the purpose of carrying out the Technical Assistance.

(b) The Recipient shall, for the purposes of the Technical Assistance, open and maintain in dollars a special deposit account (the Special 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. The Closing Date shall be June 30, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Technical Assistance

Section 3.01. The Recipient shall assume the overall responsibility for carrying out the Technical Assistance and shall, for this purpose, establish an adequately staffed and equipped Implementation Unit to be responsible for:

(a) selection, in agreement with the Administrator, of activities to be carried out under the Technical Assistance described in Schedule 1 to this Agreement;

(b) preparation, in cooperation with the Administrator, as and when needed, of the terms of reference and bid and contract documents for activities included in the Technical Assistance;

(c) conclusion of contracts or other arrangements with Executing Agencies for the carrying out of such activities;

(d) supervision of the implementation of the Technical Assistance;

(e) maintenance of records and accounts related to the Technical Assistance;  
and

(f) preparation and furnishing to the Administrator of quarterly reports on progress in the carrying out of the Technical Assistance, including unaudited financial statements covering the use of Grant funds and operation of the Special Account.

Section 3.02. The Recipient and the Administrator agree: (a) that responsibilities for implementation of activities included under the Technical Assistance shall normally be assigned to Executing Agencies under contractual or other arrangements to be concluded, on terms satisfactory to the Administrator, between the Recipient and such Executing Agencies, and (b) that direct assumption by the Recipient of such responsibility shall be limited to the cases where such assumption is desirable for achieving the objectives of the relevant activities.

Section 3.03. Except as the Administrator shall otherwise agree, procurement of the goods and consultants' services required for the carrying out by the Recipient or other Executing Agencies of activities included in the Technical Assistance and to be financed from the proceeds of the Grant shall be governed by the provisions of Schedule 2 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect, in accordance with generally accepted accounting principles, consistently applied, its operations, resources and expenditures in respect of the Technical Assistance.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with generally accepted auditing standards, consistently applied, by internationally recruited auditors acceptable to the Administrator;
- (ii) furnish to the Administrator, as soon as available but in any case not later than six months after the end of each such year, the report of such auditors of such scope and in such detail as the Administrator shall have reasonably requested;
- (iii) furnish to the Administrator such other information concerning the said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain, in accordance with the provisions of paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator's representatives, based on an appropriate notice, 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 expenditures 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

##### Effectiveness; Termination

Section 5.01. The following events are specified as conditions to the effectiveness of this Agreement: (a) the Grant Agreement has been ratified by the Recipient's Board of Governors, and (b) the Implementation Unit shall have been established.

Section 5.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representation

Section 6.01. The Managing Director of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Palestinian Economic Council for  
Development and Reconstruction  
Cite el Mahrajene 1082  
P. O. Box 45, Tunis  
Tunisia

or

The Orient House, Jerusalem

Cable address:

Telex:

For the Administrator:

Director, Country Department II  
Middle East and North Africa Region  
International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

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

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

PALESTINIAN ECONOMIC COUNCIL FOR DEVELOPMENT  
AND RESTRUCTURING

By /s/ Hassan Abu-Libdeh

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of the Grant

By /s/ Ram K. Chopra

Director  
Country Department II  
Middle East and North Africa

## SCHEDULE 1

### Description of Technical Assistance

The objectives of the Technical Assistance are: (a) to assist in building Palestinian institutions and in enhancing Palestinian capacity for self-government; (b) to facilitate the implementation of investments in the Territories; (c) to assist the Palestinian authorities in the design of integrated policies and programs for the Territories; (d) to assess the feasibility of proposed physical investments for the longer term; and (e) to encourage the growth of the private sector.

Activities to be carried out under the Technical Assistance to achieve the above objectives shall fall in the sectors of: water and sanitation, electric power, telecommunications, transport, urban and municipal development, the environment, education, health, private sector development, agriculture and fisheries, the financial sector, public economic and financial management, housing, legal affairs and tourism. The selection of specific activities within or across these sectors for implementation as part of the Technical Assistance shall be made in agreement between the Recipient and the Administrator. Such selection shall be made on the basis of criteria agreed upon between the Recipient and the Administrator, including, the urgency of the need for the activity and the degree of its fulfillment of the agreed medium-term strategy and objectives for the sector concerned, the adequacy of the implementation arrangements and the reasonableness of implementation cost.

## SCHEDULE 2

### Procurement and Consultants' Services Under the Technical Assistance

#### Section I. Procurement of Goods

##### Part A: International Competitive Bidding

1. (a) Equipment and materials estimated to cost per contract the equivalent of \$200,000 or more, shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits", published by the Administrator in May 1992 (the Guidelines).

2. In the procurement of goods in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Administrator with such modifications thereto as the Administrator shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Administrator, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Administrator.

##### Part B: Preference for Domestic Manufacturers

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

##### Part C: Other Procurement Procedures

1. Items or groups of items of goods estimated to cost less than the equivalent of \$200,000 per contract, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers selected from three different countries eligible under the Guidelines (including the Occupied Territories), in accordance with procedures acceptable to the Administrator.

2. Items or groups of items of goods estimated to cost the equivalent of not more than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of price quotations solicited from a list of at least three suppliers from the Occupied Territories, in accordance with procedures acceptable to the Administrator.

##### Part D: Review by the Administrator of Procurement Decisions

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

(a) With respect to each contract for goods estimated to cost the equivalent

of \$200,000 equivalent or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that two conformed copies of the contract required to be furnished to the Administrator pursuant to said paragraph 2 (d) shall be furnished to the Administrator prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

## Section II. Employment of Consultants

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

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

### SCHEDULE 3

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Technical Assistance and to be financed out of the proceeds of the Grant; and

(b) the term "Authorized Allocation" means an amount equivalent to \$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 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, 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 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.

#### SCHEDULE 4

Pledges to the Technical Assistance Trust Fund



for the Territories  
(Million Currency Units)

Donor	Amount Pledged			Status of Pledge as of the Date of this Agreement
	National Currency	US\$ Equivalent	US\$ Equivalent	
Austria	ATS	20.0	1.6	Letter of Agreement signed
Canada	CAD	1.5	1.1	Under donor review
Denmark	DKK	6.5	1.5	Letter of Agreement signed
European Union	ECU	2.0	2.4	Under donor review
Finland	FIM	6.0	1.0	Letter of Agreement signed
Israel	US\$	2.5	2.5	Under donor review
Italy	ITL	5250	3.0	Under donor review
Japan	JPY	562,900	5.0	Letter of Agreement signed
Netherlands	NLG	2.0	1.0	Letter of Agreement signed
Norway	NOK	15.0	2.0	Letter of Agreement signed
Sweden	SKr	12.0	1.5	Under donor review
Switzerland	SwF	3.0	2.0	Under donor review
United Kingdom	GBP	1.35	2.0	Letter of Agreement signed
United States	US\$	5.0	5.0	Letter of Agreement signed
Total Pledged	-		31.6	

\* All pledges will be converted into US dollars upon their receipt by the Administrator. Thus, it is at the time of such receipt that the exact dollar amount of each donor's contribution will be known and conveyed to the Recipient.