

CONFORMED COPY

TF029798

Trust Fund Grant Agreement

(Second Palestinian NGO Project)

between

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

and

WELFARE ASSOCIATION

Dated July 12, 2001

TF029798

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 12, 2001, between 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 Resolution No. 96-11 and IDA 96-7, and as further amended by Resolution No. 99-3 and IDA 99-2, of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the Trust Fund), and the WELFARE ASSOCIATION (the Recipient), a non-governmental organization with offices in the West Bank and Gaza.

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Association has resolved, on July 29, 1999, to inter alia, replenish the Trust Fund in the amount of sixty million dollars (\$60,000,000) 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 those areas of the Gaza Strip (Gaza) and the West Bank (the West Bank) which are under the jurisdiction of the Palestinian Authority;

(B) the Recipient and the Palestinian Authority, having satisfied themselves as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), have requested the Administrator to assist in the financing of the Project;

(C) the Welfare Association has formed a consortium with the British Council and the Charities Aid Foundation for the purpose of carrying out this Project pursuant to the Memorandum of Understanding, dated July 2, 1997;

(D) the Palestinian Authority, through its letter to the Administrator, dated September 27, 2000 has agreed that the Grant amount set forth in Section 2.01 of this Agreement be provided directly to the Recipient under the terms and conditions set forth in this Agreement; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing to extend the Grant to the Recipient 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 5 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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) "Beneficiary" means a non-governmental organization (NGO) to which the Recipient proposes to make, or has made, a Sub-project Grant (as this term is hereinafter defined);

(b) "Operational Manual" means the Recipient's manual, referred to in Section 7.01 (b) of this Agreement, which sets out the terms, conditions, procedures and eligibility criteria pursuant to which the Recipient will award Sub-project Grants, as the same may be amended from time to time with the agreement of the Administrator;

(c) "Memorandum of Understanding" means the contractual arrangements among the Welfare Association, British Council and Charities Aid Foundation forming a consortium for the purpose of this Project, dated July 2, 1997 and acceptable to the Administrator, as the same may be amended from time to time with the agreement of the Administrator;

(d) "Business Plan" means the annual plan of the Recipient, covering the managerial structure and associated arrangements for the implementation of the Project, as the same may be amended from time to time with the agreement of the Administrator;

(e) "Sub-project" means an activity or set of activities in the West Bank and Gaza to be carried out by a Beneficiary in accordance with the procedures of the Operational Manual and the contractual arrangements between the Beneficiary and the Recipient;

(f) "Sub-project Grant" means a grant made or proposed to be made by the Recipient out of the proceeds of the Grant to a Beneficiary for a Sub-project;

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

(h) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(i) "Eligible Categories" means categories (1), (2), and (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(j) "Eligible Expenditures" means the expenditures for Sub-project Grants, goods, works and services referred to in Section 2.02 of this Agreement;

(k) "Supervisory Board" means the board referred to in Section 7.01 (a) of this Agreement and consisting of representatives of civil society, including the NGO networks, the Recipient and the Palestinian Authority; and

(l) "PMO" means the project management organization established by the Recipient for the purpose of Project implementation.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eight million dollars (\$8,000,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for:

(i) amounts paid (or if the Administrator shall so agree, to be paid) by the Recipient on account of expenditures under a Sub-project Grant to meet the reasonable cost of goods and services required for a Sub-project; and (ii) expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of Project management and consultants' services and training required for Parts B and C of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be February 15, 2005, 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 Project

Section 3.01. The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency, in conformity with the Operational Manual and its Business Plan and appropriate administrative, environmental, technical and financial practices and in accordance with the Implementation Program set forth in Schedule 4 to this Agreement, as the same may be amended from time to time by mutual agreement of the Recipient and the Administrator, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of: (a) the goods, works and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Grant shall be carried out in accordance with the procedures referred to in paragraph 8 (b) of Schedule 4 to this Agreement; and (b) the consultants' services required for Parts B and C of the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Administrator, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall: (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Account, for each fiscal year audited, in accordance with auditing standards acceptable to the Administrator, 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of Project Management Reports or statements of expenditure, the Recipient shall: (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Administrator for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than September 1, 2002 or such later date as the Administrator shall agree, to prepare quarterly Project Management Reports, acceptable to the Administrator, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Grant during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Grant, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Recipient shall prepare, in accordance with guidelines acceptable to the Administrator, and furnish to the Administrator not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Other Covenants

Section 5.01. The Recipient shall carry on its business and operations, and otherwise conduct all its affairs, in accordance with sound professional, administrative, cultural, economic, financial and social service practices, and in accordance with appropriate safety, health and environmental standards acceptable to the Administrator, and at all times under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 5.02. The Recipient shall take out and maintain with responsible insurers, or make other provision acceptable to the Administrator, for insurance against such risks and in such amounts as shall be consistent with reasonable practice to carry out its obligations under this Agreement.

Section 5.03. The Recipient shall promptly take all measures necessary to acquire, maintain, renew and otherwise exercise all rights, powers, privileges, registrations and franchises required for the proper conduct of its business and operations, and otherwise for its proper carrying out of all its obligations under this Agreement.

ARTICLE VI

Remedies of the Administrator

Section 6.01. Pursuant to Section 1.14 (c) of the General Conditions, the following additional events are specified:

(a) the Palestinian Authority or any other authority having jurisdiction shall have taken any action for the dissolution or the disestablishment of the Recipient, or for the suspension of any of its operations so as to affect materially and adversely its ability to perform any of its obligations under this Agreement or otherwise carry out the Project, or any part thereof; and

(b) the Palestinian Authority or any other authority having jurisdiction shall have taken any action, including the enactment or issuance of legislation or regulations, which, in the opinion of the Administrator, may adversely affect, prevent, or interfere with, the carrying out of the Project or the performance by the Recipient of any of its obligations under this Agreement.

ARTICLE VII

Effectiveness; Termination

Section 7.01. This Agreement shall become effective upon its execution by the parties hereto and receipt by the Administrator of evidence satisfactory to the Administrator that:

(a) the Supervisory Board has been established with membership and terms of reference satisfactory to the Administrator; and

(b) the PMO has submitted a draft Operational Manual satisfactory to the Administrator and to the Supervisory Board.

Section 7.02. 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.

Section 7.03. Notwithstanding the provisions of Section 7.02 of this Agreement and Section 1.17 of the General Conditions:

(a) the Administrator may terminate this Agreement at any time upon not less than sixty (60) days' written notice to the Recipient or, without limitation to the foregoing, upon not less than thirty (30) days' written notice to the Recipient on or at any time after any condition referred to in Section 7.01 of this Agreement and Section 1.14 of the General Conditions has continued for a period of thirty (30) days following such notice of suspension;

(b) the Recipient may terminate this Agreement at any time upon not less than sixty (60) days written notice to the Administrator;

(c) in the event this Agreement is terminated by either the Administrator or the Recipient: (i) the Recipient shall promptly thereafter take all reasonable steps to minimize its Wind-Down Costs; (ii) the Administrator and the Recipient shall cooperate thereafter to complete any accounting required in connection with their respective obligations hereunder; and (iii) the Administrator shall make available, out of the proceeds of the Grant, funds to the Recipient as may be necessary to compensate the Recipient for any Wind-Down Costs. The obligations of the Administrator and the Recipient under this Section shall survive the termination of this Agreement; and

(d) for the purpose of this Section, the term "Wind-Down Costs" means all costs or expenses incurred by the Recipient following the termination of this Agreement in connection with the prompt and orderly wind-down of the operations and services contemplated hereunder, including, without limitation, any payment due to a Beneficiary in connection with the winding-down of any Sub-project.

Section 7.04. Upon any termination of this Agreement, the Recipient agrees that no payment shall be due to the Recipient in respect of any Project management costs except for the portion of such costs accrued prior to the date of such termination, provided, that the Recipient has performed its services hereunder to the satisfaction of the Administrator. Any portion of the installments of the Project management costs shall be returned to the Administrator to the extent it has not been utilized by the Recipient for expenditures incurred in accordance with PMO's Business Plan.

ARTICLE VIII

Settlement of Disputes; Arbitration

Section 8.01 Any dispute arising out of, or relating to, this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force. The arbitral tribunal shall consist of three (3) arbitrators. One arbitrator shall be appointed by the Administrator. The second arbitrator shall be appointed by the Recipient. The two arbitrators thus appointed shall choose the third arbitrator who will act as a

presiding arbitrator of the arbitrator tribunal. The place of arbitration shall be Washington, D.C., USA. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.

ARTICLE IX

Representative of the Recipient; Addresses

Section 9.01. The Director General of the Recipient is designated as representative of the Recipient for the purposes of Section 1.27 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 1.25 of the General Conditions:

For the Recipient:

Welfare Association
P.O. Box 2173
Ramallah, West Bank

For the Administrator:

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

Cable address:

Washington, D.C.

Telex:

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.

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

By /s/ Jean-Louis Sarbib

Regional Vice President
Middle East and North Africa

WELFARE ASSOCIATION

By /s/ Abdel Majid Shoman

Authorized Representative

SCHEDULE I

Withdrawal of the Proceeds of the Grant

A. General

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

Amount of the Grant Allocated (Expressed in	% of Expenditures
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Category	Dollar Equivalent)	to be Financed
(1) Sub-project Grants	5,250,000	100%
(2) Consultants' services and training under Parts B and C of the Project	750,000	100%
(3) Project management costs	2,000,000	100%
TOTAL	8,000,000	

2. For the purposes of this Schedule, the term "Project management costs" means the costs to the Recipient incurred in the management of the Project, to be paid in several installments, due in amounts of: (i) \$750,000 following the signature of this Agreement; (ii) \$600,000 on July 1, 2002 and \$550,000 on July 1, 2003, in each case against receipt by the Administrator of: (A) a progress report on the implementation of the Project acceptable to the Administrator, and (B) independent financial and management audits acceptable to the Administrator (including a statement on the implementation of the corrective measures identified by such audits, if any); and (iii) \$100,000 against delivery of a Project completion report satisfactory to the Administrator.

3. Notwithstanding the provisions, of paragraph 1 above, no withdrawals shall be made in respect of payments made: (a) for expenditures prior to the date of this Agreement; and (b) in respect of expenditures under Categories (1) and (2) unless the final Operational Manual, in form and substance satisfactory to the Administrator, has been submitted to the Administrator, such Operational Manual to be submitted not later than October 1, 2001.

4. The Administrator may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for: (a) payments made under Sub-project Grants; and (b) expenditures for contracts costing less than the equivalent of \$100,000 for services of consulting firms and \$50,000 for services of individual consultants.

B. Special Account

1. The Recipient shall 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 and attachment.

2. After the Administrator has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Administrator shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Recipient for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Administrator of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Recipient for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if the Administrator determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Administrator determines at any time that all further withdrawals

should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Administrator shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Administrator shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Administrator determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator, provide such additional evidence as the Administrator may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraphs (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Trust Fund Grant Agreement.

Annex A To SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex the term "Authorized Allocation" means an amount equivalent to \$800,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposit into the Special Account at such intervals as the Administrator shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Administrator from the Grant Account under one or more of the Eligible Categories.

3. The Administrator shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions in respect of expenditures to be financed out of the proceeds of the Grant allocated to said Categories, 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 said Categories 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.

Annex B To SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Administrator may otherwise specify by notice to the Recipient, all withdrawals from the Grant Account shall be deposited by the Administrator into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Administrator from the Grant Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Grant Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Grant, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Administrator has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$1,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen the capacity of Palestinian NGOs to deliver sustainable services to the poor and marginalized thereby supporting the development of the NGO sector.

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 objectives:

Part A: Service Delivery and Institutional Strengthening

Provision by the Recipient of Sub-project Grants to Beneficiaries to carry out Subprojects.

Part B: Project Management

Carrying out of:

1. a management support program consisting of the provision to Beneficiaries of staff training, supervision and expert services for purposes of, inter alia, increasing the capabilities of Beneficiaries to prepare, manage, implement, audit and evaluate Sub-projects; and

2. a monitoring and evaluation program for the Project.

Part C: Sector Support

Carrying out a program to strengthen the capabilities of the NGO sector through: (a) putting in place mechanisms to enhance the exchange of information within the sector; (b) improving levels of coordination, cooperation and joint programming between NGOs and among the NGO sector, the private sector and the Palestinian Authority; (c) supporting the long-term financial sustainability of the NGO sector through improved mechanisms for resource mobilization; and (d) strengthening the technical and managerial capabilities of the NGO networks.

The Project is expected to be completed by August 15, 2004.

SCHEDULE 3

Consultants' Services under Parts B and C of the Project

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 Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Schedule.

Part B: Quality- and Cost-based Selection

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.

Part C: Other Procedures for the Selection of Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines 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 Administrator of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plans 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 plans 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 estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third sub-paragraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract 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 sub-paragraph 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 the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Overall Project Implementation

1. The Recipient shall entrust responsibility for the day-to-day management of the Project to the PMO. The PMO shall also act as secretariat to the Supervisory Board.

2. The Supervisory Board shall provide policy guidance to the PMO and shall carry out its functions in accordance with its terms of reference and the Operational Manual, including the approval of annual action plans and review of progress reports.

3. In carrying out its responsibilities, the PMO shall follow the procedures set forth in the Operational Manual. The Recipient shall not amend the Operational Manual if, in the opinion of the Administrator, such amendment would materially affect the implementation of the Project.

4. The Recipient shall: (a) maintain procedures adequate to enable it to monitor and evaluate on an on-going basis, in accordance with indicators agreed with 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: (i) semi-annual reports in each year until completion of the Project, integrating the results of the monitoring and evaluation activities performed pursuant of subparagraph (a) above, on the progress achieved in the carrying out of the Project during the period of six (6) months preceding the date of such report, and (ii) on or about March 31, 2003, a mid-term report, integrating the data and other information contained in the reports prepared pursuant to subparagraph (b)(i) above, on the progress achieved in carrying out the Project during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of the Project during the period following such date; and (c) review with the Administrator each such report, and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Administrator's views on the matter.

5. The Recipient shall carry out with the Administrator a mid-term review on or about June 30, 2003 on the basis of the mid-term report referred to above. The mid-term review shall focus, inter alia, on the future operation of the Project and the implementation and management arrangements therefor. If, due to changing circumstances, modifications to the implementation arrangements are required, the Recipient and the Administrator may agree on the appropriate changes to this Agreement.

6. The Recipient shall furnish to the Administrator not later than September 1 of each year: (a) annual management audits for the preceding year to be carried out by independent auditors acceptable to the Administrator and according to terms of reference acceptable to the Administrator; (b) its Business Plan for the following twelve month period; and (c) its annual action plan acceptable to the Administrator for the carrying out of the Project during the following twelve month period.

7. The Recipient shall submit to the Palestinian Authority quarterly cash flow statements regarding all Project transactions.

8. The Recipient shall maintain arrangements, satisfactory to the Administrator, pursuant to which the Recipient shall: (a) select Beneficiaries, approve Sub-projects, make Sub-project Grants and otherwise carry out its activities under Part A of the Project in accordance with the terms, conditions, procedures, criteria and other details set forth in the Operational Manual; (b) ensure that the procurement of all goods, works, and consultants' services under Part A of the Project shall be made in accordance with the procedures set forth in the Operational Manual; and (c) adopt procedures, satisfactory to the Administrator, to: (i) monitor against specific output indicators agreed with the Administrator, the carrying out by Beneficiaries of Sub-projects and the achievement of the objectives of Part A of the Project; (ii) prepare for inclusion in the reports referred to in paragraph 4 (b) of this Schedule, all information required to assess the progress of Part A of the Project and the achievement of its objectives; and (iii) not later than March 31, 2003, furnish to the Administrator a beneficiary impact assessment according to terms of reference acceptable to the Administrator.

SCHEDULE 5

General Conditions

SECTION 1.01. Definitions

The following terms have the following meanings wherever used in these General Conditions:

1. "Administrator" means the International Development Association, acting as administrator of the Trust Fund.
2. "Grant" means the grant provided for in this Agreement.
3. "Dollars" and the sign "\$" mean dollars in the currency of the United States of America.
4. "Grant Account" means the account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited.
5. "Project" means the project for which the Grant is made, as described in Schedule 2 to this Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Administrator.
6. "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.
7. "Closing Date" means the date specified in Section 2.03 of this Agreement after which the Administrator may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.

SECTION 1.02. Grant Account

The amount of the Grant shall be credited to the Grant Account and may be withdrawn therefrom by the Recipient as provided in this Agreement and in these General Conditions.

SECTION 1.03. Currencies in which Withdrawals are to be Made

Except as the Recipient and the Administrator shall otherwise agree, withdrawals from the Grant Account shall be made in the respective currencies in which the expenditures to be financed out of the proceeds of the Grant have been paid or are payable.

SECTION 1.04. Valuation of Currencies

Whenever it shall be necessary for the purposes of this Agreement to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Administrator.

SECTION 1.05. Withdrawal from the Grant Account

The Recipient shall be entitled to withdraw from the Grant Account amounts expended or, if the Administrator shall so agree, amounts to be expended for the Project in accordance with the provisions of this Agreement and of these General Conditions. Except as the Administrator and the Recipient 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 Association 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.

SECTION 1.06. Special Commitments by the Administrator

Upon the Recipient's request and upon such terms and conditions as shall be agreed upon between the Recipient and the Administrator, the Administrator may enter into special commitments in writing to pay amounts to the Recipient or others in respect of expenditures to be financed out of the proceeds of the Grant notwithstanding any subsequent suspension or cancellation by the Administrator or the Recipient.

SECTION 1.07. Applications for Withdrawal or for Special Commitment

When the Recipient shall desire to withdraw any amount from the Grant Account or to request the Administrator to enter into a special commitment pursuant to Section 1.06 of the General Conditions, the Recipient shall deliver to the Administrator a written application in such form, and containing such statements and agreements, as the Administrator shall reasonably request. Applications for withdrawal, including the documentation required therefor, shall be made promptly in relation to expenditures for the Project.

SECTION 1.08. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in this Agreement, if the Administrator has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in this Agreement or added thereto by amendment will be insufficient to finance the agreed percentage of all expenditures in that category, the Administrator may, by notice to the Recipient:

(a) reallocate to such category, to the extent required to meet the estimated shortfall, proceeds of the Grant which are then allocated to another category and which in the opinion of the Administrator are not needed to meet other expenditures; and

(b) if such reallocation cannot fully meet the estimated shortfall, reduce the percentage for withdrawal then applicable to such expenditures in order that further withdrawals under such category may continue until all expenditures thereunder shall have been made.

SECTION 1.09. Evidence of Authority to Sign Applications for Withdrawal

The Recipient shall furnish to the Administrator evidence of the authority of the person or persons authorized to sign applications for withdrawal and the authenticated specimen signature of any such person.

SECTION 1.10. Supporting Evidence

The Recipient shall furnish to the Administrator such documents and other evidence in support of the application as the Administrator shall reasonably request, whether before or after the Administrator shall have permitted any withdrawal requested in the application.

SECTION 1.11. Sufficiency of Applications and Documents

Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Administrator that the Recipient is entitled to withdraw from the Grant Account the amount applied for and that the amount to be withdrawn from the Grant Account is to be used only for the purposes specified in this Agreement.

SECTION 1.12. Treatment of Taxes

It is the policy of the Administrator that no proceeds of the Grant shall be withdrawn on account of payments for any taxes levied in the territory in which the Recipient is located on goods or services, or on the importation, manufacture, procurement or supply thereof. To that end, if the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant decreases or increases, the Administrator may, by notice to the Recipient, increase or decrease the percentage for withdrawal set forth or referred to in respect of such item in this Agreement as required to be consistent with such policy of the Administrator.

SECTION 1.13. Payment by the Administrator

The Administrator shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

SECTION 1.14. Suspension by the Administrator

If any of the following events of suspension shall have occurred and be continuing, the Administrator may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account:

(a) The Recipient shall have failed to perform any other obligation under this Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under this Agreement.

(c) Any other event specified in this Agreement for the purposes of this Section shall have occurred. The right of the Recipient to make withdrawals from the Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to suspension shall have ceased to exist, unless the Administrator shall have notified the Recipient that the right to make withdrawals has been restored in whole or in part, as the case may be.

SECTION 1.15. Cancellation by the Administrator

If: (a) the right of the Recipient to make withdrawals from the Grant Account shall have been suspended with respect to any amount of the Grant for a continuous period of thirty days; or (b) at any time, the Administrator determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Grant; or (c) at any time, the Administrator determines, with respect to any contract to be financed out of the proceeds of the Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Grant during the procurement or the execution of such contract, without the Recipient 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 Grant; or (d) at any time, the Administrator determines that the procurement of any item is inconsistent with the procedures set forth or referred to in this Agreement and establishes the amount of the expenditures in respect of such item which would otherwise have been eligible for financing out of the proceeds of the Grant or; (e) after the Closing Date, an amount of the Grant shall remain unwithdrawn from the Grant Account, the Administrator may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Grant shall be cancelled.

SECTION 1.16. Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Administrator

No cancellation or suspension by the Administrator shall apply to amounts subject to any special commitment entered into by the Administrator pursuant to Section 1.06 of the General Conditions except as expressly provided in such commitment.

SECTION 1.17. Effectiveness of Provisions after Suspension or Cancellation

Notwithstanding any cancellation or suspension, all the provisions of this Agreement shall continue in full force and effect except as specifically provided in this Agreement.

SECTION 1.18. Cooperation and Information

The Recipient and the Administrator shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Administrator shall:

- (i) from time to time, at the request of any one of them, exchange views with regard to the progress of the Project, the purposes of

the Grant, and the performance of their respective obligations under this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

- (ii) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (i) above.

SECTION 1.19. Insurance

The Recipient shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

SECTION 1.20. Use of Goods and Services

Except as the Administrator shall otherwise agree, the Recipient shall cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the purposes of the Project.

SECTION 1.21. Plans and Schedules

The Recipient shall furnish, or cause to be furnished, to the Administrator promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Administrator shall reasonably request.

SECTION 1.22. Records and Reports

(a) The Recipient shall: (i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Grant, and to disclose their use in the Project; (ii) enable the Administrator's representatives to visit any facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement; and (iii) furnish to the Administrator at regular intervals all such information as the Administrator shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Grant and the goods and services financed out of such proceeds.

(b) Upon the award of any contract for goods or services to be financed out of the proceeds of the Grant, the Administrator may publish a description thereof, the name and nationality of the party to which the contract was awarded and the contract price.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, the Recipient shall prepare and furnish to the Administrator a report, of such scope and in such detail as the Administrator shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Administrator of their respective obligations under this Agreement and the accomplishment of the purposes of the Grant.

SECTION 1.23. Maintenance

The Recipient shall at all times operate and maintain, or cause to be operated and maintained, any facilities relevant to the Project, and promptly as needed, make or cause to be made all necessary repairs and renewals thereof.

SECTION 1.24. Land Acquisition

The Recipient shall cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Administrator, promptly upon its request, evidence satisfactory to the Administrator that such land and rights in respect of land are available for purposes related to the Project.

SECTION 1.25. Notices and Requests

Any notice or request required or permitted to be given or made under this Agreement and any other agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or telefax to the party to which it is required or permitted to be given or made at such party's address specified in this Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 1.26. Evidence of Authority

The Recipient shall furnish to the Administrator sufficient evidence of the authority of the person or persons who will, on behalf of the Recipient, take any action or execute any documents required or permitted to be taken or executed by the Recipient under this Agreement, and the authenticated specimen signature of each such person.

SECTION 1.27. Action on Behalf of the Recipient

Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in this Agreement for the purposes of this Section or any person thereunto authorized in writing by such representative. Any modification or amplification of the provisions of this Agreement may be agreed to on behalf of the Recipient by written instrument executed on behalf of the Recipient by the representative so designated or any person thereunto authorized in writing by such representative, provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Recipient under this Agreement. The Administrator may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of this Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

SECTION 1.28. Execution in Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original.

