

CONFORMED

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TF 054686

Trust Fund Grant Agreement

(Land Administration Project)

between

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

and

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

Dated February 7, 2005

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated February 7, 2005, between the PALESTINE LIBERATION ORGANIZATION (for the benefit of the Palestinian Authority) (the Recipient) and the 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 and Resolution No. 03-193 and IDA 03-208, of the Executive Directors of the International Bank for Reconstruction and Development and the International Development Association (the Trust Fund).

WHEREAS (A) the Board of Governors of the International Bank for Reconstruction and Development and the International Development Association has resolved, on February 4, 2004, to, *inter alia*, replenish the Trust Fund in the amount of eighty million dollars (\$80,000,000), such amount to be transferred from the surplus of the International Bank for Reconstruction and Development and to be used for financing rehabilitation projects in parts of the Gaza Strip (Gaza) and the West Bank (the West Bank) which are under the jurisdiction of the Palestinian Authority;

(B) the Palestine Liberation Organization and the Government of the State of Israel have entered, on September 28, 1995, into an agreement which, *inter alia*, sets out certain interim self-government arrangements in Gaza and the West Bank (the Interim Agreement);

(C) Section 5 (b) of Article IX of the Interim Agreement authorizes the Palestine Liberation Organization to conduct negotiations and, in certain cases described thereunder, sign agreements with states and international organizations for the benefit of the Palestinian Authority;

(D) the Palestinian Authority, on behalf of the Recipient, has requested the Administrator to assist in financing the Project described in Schedule 2 to this Agreement;

(E) the Government of Finland (Finland) intends to make available for the benefit of the Recipient a grant (the Finland Grant) in an amount of one million two hundred sixty thousand Euro (€1,260,000), to be administered by the Administrator on behalf of Finland, for purposes of assisting in financing Part B of the Project, on terms and conditions set forth in an agreement to be entered into between the Recipient and the Administrator (the Finland Grant Agreement); and

WHEREAS the Administrator has agreed, on the basis, *inter alia*, of the foregoing to extend the Grant to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, upon the terms and conditions set forth in this 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 7 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) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(b) “LPTF” means the Land Policy Task Force to be established and maintained pursuant to paragraph 3 of Schedule 4 to this Agreement;

(c) “MOP” means the Ministry of Planning of the Palestinian Authority, or any successor thereto;

(d) “PLA” means the Palestinian Land Authority of the Palestinian Authority, or any successor thereto;

(e) “PMCC” means the Project Management and Coordination Committee to be established and maintained pursuant to paragraph 4 of Schedule 4 to this Agreement;

(f) “PMT-MOP” means MOP’s Project Management Team to be established and maintained pursuant to paragraph 5 of Schedule 4 to this Agreement;

(g) “PMT-PLA” means PLA’s Project Management Team to be established and maintained pursuant to paragraph 6 of Schedule 4 to this Agreement;

(h) “Procurement Plan” means the Recipient’s procurement plan, dated December 14, 2004, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(i) “Project Implementation Plan” means the project implementation plan for the Project dated December 14, 2004, setting out details of the procedures, guidelines, timetables and other pertinent institutional and implementation arrangements for the carrying out of the Project;

(j) “Special Accounts” means, collectively, the accounts referred to in Section 2.02 (b) of this Agreement; each a “Special Account”; and

(k) “Subsidiary Agreement” means the agreement to be entered into between the Recipient and the Palestinian Authority pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term shall include all schedules to the Subsidiary Agreement.

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 three million dollars (\$3,000,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for purposes of the Project, open and maintain in dollars separate special deposit accounts in a commercial bank on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment as follows: (i) a special deposit account (Special Account A) for the purposes of Parts A, D.4(a) and D.5(a) of the Project; and (ii) a special deposit account (Special Account B) for the purposes of Parts B, C, D.1, D.2, D.3, D.4(b) and D.5(b) of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007, 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. (a) 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 cause the Palestinian Authority to carry out the Project through MOP and PLA with due diligence and efficiency, and in conformity with appropriate administrative, financial and land administration practices and shall cause the Palestinian Authority to provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall cause the Palestinian Authority to carry out the Project through MOP and PLA in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Recipient shall make the proceeds of the Grant available to the Palestinian Authority under a Subsidiary Agreement to be entered into between the Recipient and the Palestinian Authority under terms and conditions which shall have been approved by the Administrator.

(d) The Recipient shall cause the Palestinian Authority: (i) to perform in accordance with the provisions of the Subsidiary Agreement all of the obligations of the Palestinian Authority therein set forth; (ii) to take all action, including the provision of funds, facilities, services and other resources, necessary or appropriate for the carrying out of the Project; and (iii) not to take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

(e) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient, the Palestinian Authority and the Administrator and to accomplish the purposes of the Grant, and, except as the Administrator shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any provision thereof.

Section 3.02. (a) Except as the Administrator shall otherwise agree, procurement of the goods, works and services required for 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall cause the Palestinian Authority to update through MOP and PLA, the Procurement Plan in accordance with terms of reference acceptable to the Administrator and furnish such update to the Administrator not later than twelve (12) months after the date of the preceding Procurement Plan, for the Administrator's approval.

Section 3.03. For the purposes of Section 8.06 of the General Conditions and without limitation thereto, the Recipient shall cause the Palestinian Authority to:

(a) prepare, through MOP and PLA, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months before the Closing Date, or such later date as may be agreed for this purpose between the Palestinian Authority and the Administrator, a plan to ensure the continued achievement of the Project's objectives; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Palestinian Authority on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient, through the Palestinian Authority, shall cause each of MOP and PLA to 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, through the Palestinian Authority, shall cause each of MOP and PLA: (i) to have the records, accounts and financial statements referred to in paragraph (a) of this Section, and the records and accounts for the Special Accounts, for each fiscal year audited, in accordance with auditing standards acceptable to the Administrator, consistently applied, by independent auditors acceptable to the Administrator; (ii) to furnish to the Administrator, as soon as available, but in any case not later than four (4) 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 statements of expenditure, the Recipient, through the Palestinian Authority, shall cause each of MOP and PLA to: (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 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 Recipient's progress reporting obligations set out in paragraph 7 of Schedule 4 to this Agreement, the Recipient, through the Palestinian Authority, shall cause MOP and PLA to prepare and furnish to the Administrator a Financial Monitoring Report, in form and substance satisfactory to the Administrator, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant and

explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to Section 6.02(k) of the General Conditions, the following additional events are specified:

(a) The Finland Grant Agreement shall have failed to become effective by February 28, 2005, or such later date as the Administrator may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient, through the Palestinian Authority, establishes to the satisfaction of the Administrator that adequate funds for the Project are available to the Palestinian Authority from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

- (b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of any grant made to the Recipient for the financing of the Project (including the Finland Grant) shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient, through the Palestinian Authority, establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation or termination is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Palestinian Authority from other sources

on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 11.01(b) of the General Conditions, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and the Palestinian Authority.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 11.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Administrator, namely that the Subsidiary Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and the Palestinian Authority and is legally binding upon the Recipient and the Palestinian Authority in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 11.04 of the General Conditions.

ARTICLE VII

Representatives of the Recipient; Addresses

Section 7.01. The Minister of Finance of the Palestinian Authority is designated as representative of the Recipient for the purposes of Section 10.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Recipient:

c/o Ministry of Finance of the Palestinian Authority
Sateh Marhaba, Al-Bireh,
P.O. Box 795,
Ramallah

Facsimile:

02 240 0595
02 295 1231

For the Administrator:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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 Trust Fund for Gaza and West Bank)

By /s/ Nigel Roberts

Country Director
West Bank and Gaza

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

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:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Eligible Expenditures to be Financed</u>
(1) Works under Part C of the Project	\$100,000	85%
(2) Goods		100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(a) under Part C of the Project	\$100,000	
(b) under Part D.5(a) of the Project	\$100,000	
(3) Consultants' services, audit, training and other services		95% excluding VAT and 81% including VAT
(a) under Parts A, D.4(a) and D.5(a) of the Project	\$1,400,000	
(b) under Parts C, D.4(b) and D.5(b) of the Project	\$600,000	

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Eligible Expenditures to be Financed</u>
(4) Incremental Operating Costs:		
(a) under Parts A, D.4(a) and D.5(a) of the Project	\$150,000	100%
(b) under Parts C, D.4(b) and D.5(b) of the Project	\$150,000	100%
(5) Unallocated	\$400,000	
TOTAL	<u><u>3,000,000</u></u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures for goods or services supplied from the territory of any country other than the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority;

(b) the term “local expenditures” means expenditures in the currency used in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority or for goods or services supplied from the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority, provided, however, that if the currency used in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority is also that of a country from the territory of which goods, works or services are supplied, expenditures in such currency for such goods, works or services shall be deemed to be “foreign expenditures”; and

(c) the term “Incremental Operating Costs” means costs incurred by MOP and PLA under the Project on account of: (i) maintenance of office equipment; (ii) transportation and travel, including per diem allowances for Project staff in local and/or international travel status; (iii) rental of office space; (iv) office supplies, utilities and office administration, including translation, printing and advertising costs; (v) vehicles maintenance and insurance, including fuel costs; (vi) communication costs; (vii) costs for production of bidding documents; and (viii) commercial bank charges.

3. Notwithstanding the provisions of paragraph 1 above, 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 exceeding the equivalent of \$10,000, may be made on account of payments made for expenditures before that date but after December 22, 2004.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assess the feasibility of introducing reforms in land administration by enabling the Palestinian Authority to formulate policy, legal and institutional measures required to put in place: (a) suitable procedures for the issuance of land titles and registration of property transactions; and (b) transparent processes for the management and disposal of public land.

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: Land Policy Formulation and Development of Regulatory Framework

Formulating a national land policy document and an action plan for implementation, and revising the regulatory framework governing land administration, through stakeholder consultations, public hearings and studies on land policy areas including: (i) assessment of the accuracy of current land registration and the factors limiting its use; (ii) the functioning of the land markets; (iii) land disputes and resolution mechanisms; (iv) management and disposal of public land; (v) property valuation; and (vi) the legal and institutional framework for land administration.

Part B: Piloting of Systematic Land Registration and Modern Land Office

1. Carrying out a pilot program of land surveying, systematic titling and registration in selected locations in areas under the jurisdiction of the Palestinian Authority in the West Bank.
2. Carrying out a pilot program of establishing modern land offices in Ramallah, the West Bank and in Gaza, through, *inter alia*, re-engineering office functions, staff training and introduction of technologies to improve efficiency and transparency.

Part C: Piloting of Public Land Inventory and Management Strategy

Carrying out a pilot program of establishing an inventory of public land in two municipalities, one in the West Bank and the other in Gaza, and developing a public land management strategy and instruments.

Part D: Institutional Development

1. Institutional development of PLA through, *inter alia*: (i) undertaking an institutional analysis and developing a strategic plan and a human resources development plan; and (ii) carrying out training and other capacity building activities.
2. Strengthening education programs in land administration, management and surveying through, *inter alia*: (i) undertaking an education needs assessment;

(ii) assisting selected educational institutions in establishing education programs in land management and administration, including curricula development, partnership arrangements with other academic and professional institutions, exchange of professors and acquisition of educational materials and equipment; and (iii) undertaking a follow-up survey of the first class of the educational program.

3. Strengthening private sector capacity in surveying through, *inter alia*: (i) training and other capacity building activities for potential surveyors; (ii) streamlining the process of certification/registration of surveyors; and (iii) increasing the number of private surveyors.

4. (a) Conducting public awareness and community participation campaigns in policymaking process, to be carried out by MOP.

(b) Conducting public awareness and community participation campaigns in pilot projects, to be carried out by PLA.

5. (a) Project management support for MOP through, *inter alia*: (i) training, knowledge exchange and study tours; and (ii) design and implementation of a monitoring and evaluation system.

(b) Project management support for PLA through, *inter alia*: (i) training, knowledge exchange and study tours; and (ii) design and implementation of a monitoring and evaluation system.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Administrator of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. National Competitive Bidding

(a) Except as otherwise provided in Part B of this Section, contracts for goods and works shall be awarded on the basis of National Competitive Bidding.

(b) Additional Provisions for National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

- (i) tenders shall be advertised for at least two (2) consecutive days in a local newspaper of wide circulation;
- (ii) prospective bidders shall be allowed a minimum of thirty (30) days between the date upon which the notification appears in the newspaper for the first time and the date upon which the bid is submitted;
- (iii) the format of the bidding documents shall be consistent with that of the Administrator's standard bidding documents;
- (iv) interested foreign contractors and suppliers shall be allowed to bid;

- (v) bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;
- (vi) all bids shall be opened at the same time in public;
- (vii) contracts shall be awarded to the lowest evaluated bidder, whose bid is determined to be substantially responsive;
- (viii) no bidder shall be requested or permitted to modify his, her or its bid after the bid closing date shall have elapsed;
- (ix) price negotiations with the lowest evaluated bidder shall be limited to cases provided for under the Guidelines; and
- (x) postqualification criteria shall, in the absence of a prequalification process, be explicitly stated in the bidding documents.

B. Other Procurement Procedures

1. Shopping

Goods and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

2. Direct Contracting

Goods estimated to cost less than \$5,000 equivalent which the Administrator agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of Direct Contracting.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$50,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Administrator agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior review by the Administrator.

Section IV. Review by the Administrator of Procurement Decisions

1. Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator:

(a) each contract for goods and works procured on the basis of National Competitive Bidding;

(b) the first three contracts for goods and works, regardless of value, procured on the basis of Shopping by PLA;

(c) the first three contracts for goods, regardless of value, procured on the basis of Shopping by MOP;

(d) the first three contracts for consultants' services for each selection method regardless of value;

(e) each contract for consultants' services: (i) estimated to cost the equivalent of \$100,000 or more and provided by a firm; or (ii) estimated to cost the equivalent of \$50,000 or more and provided by an individual consultant; and

(f) each contract for consultants' services procured on a single source basis.

2. All other contracts shall be subject to Post Review by the Administrator.

SCHEDULE 4

Implementation Program

1. The Recipient, through the Palestinian Authority, shall cause MOP and PLA to carry out the Project in accordance with the provisions of the Project Implementation Plan, and except as the Administrator shall otherwise agree, the Recipient, through the Palestinian Authority, shall not permit MOP or PLA to amend or waive any provision of the Project Implementation Plan if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
2. The Recipient, through the Palestinian Authority, shall cause MOP to have the overall responsibility for the coordination of the implementation of the Project. The Recipient, through the Palestinian Authority, shall cause primary responsibility for implementation of Parts A, D.4(a) and D.5(a) of the Project to be vested in MOP and Parts B, C, D.1, D.2, D.3, D.4(b) and D.5(b) of the Project to be vested in PLA.
3. The Recipient, through the Palestinian Authority, shall maintain LPTF consisting of senior officials of key stakeholder ministries and agencies, and representatives of civil society and the public and private sectors. LPTF shall be responsible for reviewing and endorsing land policy recommendations to be forwarded to the Palestinian Authority for approval, and overseeing the policymaking process and the adoption of LPTF's recommendations within their ministries.
4. The Recipient, through the Palestinian Authority, shall maintain PMCC consisting of senior officials of MOP and PLA. PMCC shall be responsible for overseeing and coordinating the implementation by MOP and PLA of those parts of the Project that are respectively within their primary responsibility.
5. The Recipient, through the Palestinian Authority, shall cause MOP to establish by March 15, 2005, and thereafter maintain, PMT-MOP in a form and with functions, staffing and resources satisfactory to the Administrator. PMT-MOP shall be headed by a Team Leader/Project Manager assisted by an adequate number of staff (including specialists in, *inter alia*, policy coordination, procurement and financial management). The Team Leader/Project Manager and staff of PMT-MOP shall have qualifications and experience, and be appointed on terms and conditions, satisfactory to the Administrator.
6. The Recipient, through the Palestinian Authority, shall cause PLA to establish by March 15, 2005, and thereafter maintain, PMT-PLA in a form and with functions, staffing and resources satisfactory to the Administrator. PMT-PLA shall be headed by a Team Leader assisted by an adequate number of staff (including specialists in, *inter alia*, land administration, procurement, financial management and social development). The Team Leader and staff of PMT-PLA shall have qualifications and experience, and be appointed on terms and conditions, satisfactory to the Administrator.

7. The Recipient, through the Palestinian Authority, shall cause MOP and PLA to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set out in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference acceptable to the Administrator, and furnish to the Administrator, commencing March 31, 2005, until completion of the Project, quarterly progress reports and summary monthly progress statements, acceptable to the Administrator, covering the implementation of the Project during the preceding period, each such report and statement to include, *inter alia*, a detailed break-down of expenditures incurred under the Project during the preceding period;

(c) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator, on or about February 15, 2006, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Administrator, by February 28, 2006, or such later date as the Administrator shall request, the report referred to in subparagraph (c) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and agreed recommendations of the Palestinian Authority, MOP, PLA and the Administrator, and their views on the matter.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means: (i) with respect to Special Account A, an amount equivalent to \$180,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule; and (ii) with respect to Special Account B, an amount equivalent to \$120,000 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 respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective Special Account of an amount or amounts 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 into the respective Special Account such amount or amounts as the Recipient shall have requested.
 - (b)
 - (i) For replenishment of the respective Special Account, the Recipient shall furnish to the Administrator requests for deposits into the respective 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

respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible Categories, 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 respective 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 any 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;

(b) 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 the records and accounts for the Special Accounts;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation for said Special Account.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible 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 respective 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 any 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 respective 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 any 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 any 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 6

Performance Indicators

Key Performance Indicators
Part A:
Outcome / Impact Indicators
Recommendations of priority land policy studies, consolidated policy document and action plan endorsed by LPTF and by Cabinet and forwarded to Palestinian Legislative Council (PLC) for consideration
Recommendations for revised regulatory framework endorsed by LPTF and Cabinet and forwarded to Palestinian Legislative Council (PLC) for consideration
Consensus on general directions of the long-term land administration established by LPTF
Output Indicators
Priority land policy studies (registration, land markets, land disputes, property valuation, public land management, legal and institutional framework review/proposed legal improvements) completed and their recommendations endorsed by LPTF
Formulation of land policy through participatory process and implementation action plan completed
Recommendations for revised land regulatory framework completed and endorsed by LPTF
Part B:
Outcome / Impact Indicators
Unclear land titles in pilot areas settled and registered by beneficiaries
Improved PLA service delivery efficiency in pilot offices as measured against established service standards: <ul style="list-style-type: none"> (i) Resumption of land title settlement activities (ii) New registration activities automated (iii) Reduced average processing time of transactions in settled/ titled land (without Irrevocable Power of Attorney / with IPA) (iv) Increased demand for registration
Output Indicators
Titling/registration procedures revised per policy recommendations
Detailed manuals, guidelines and forms developed
Settlement and dispute resolutions teams set up and trained
Projects implemented according to established timetable

Key Performance Indicators
Revised PLA service standards established
PLA office reengineering system (automation, training, etc) designed and implemented according to plan
Part C:
Outcome / Impact Indicators
Improved public land management in pilot areas as measured against established standards: (i) State land inventoried and surveyed (ii) Transparent public land allocation mechanisms applied
Output Indicators
Survey and inventorying of State land in pilot areas completed
Identification of strategic vacant State land in pilot areas completed
Public land management strategy in pilot areas and instruments (including disposal and valuation methods) developed
Part D:
Outcome / Impact Indicators
PLA staff in registration, surveying and State lands directorates with advanced computer literacy; skills applied in workplace
Land administration/surveying education judged effective as indicated by a follow up survey of the first enrolled class
Increased number of (registered) private surveyors
Sustained participation in policymaking measured against established target
Output Indicators
PLA strategic and human resources development plans completed and training delivered according to plan
Land administration and surveying education program established and operational as indicated by progress of first enrolled class
Training program in surveying delivered according to plan and simplified certification procedures endorsed
Awareness/participation/dissemination campaigns for policymaking and titling/registration pilots delivered according to plan
System for monitoring project implementation and for distilling learning and innovation aspects established

SCHEDULE 7

General Conditions

ARTICLE I

Application to Trust Fund Grant Agreements

Section 1.01. Application of General Conditions

These General Conditions set forth certain terms and conditions generally applicable to this Trust Fund Grant Agreement.

Section 1.02. Inconsistency with Trust Fund Grant Agreement

If any provision of this Trust Fund Grant Agreement is inconsistent with a provision of these General Conditions, the provision of this Trust Fund Grant Agreement shall govern.

ARTICLE II

Definitions; Headings

Section 2.01. Definitions

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

1. “Administrator” means the International Development Association, in its capacity as administrator of the Trust Fund for Gaza and West Bank.
2. “Bank” means the International Bank for Reconstruction and Development.
3. “Recipient” means the Palestine Liberation Organization (for the benefit of the Palestinian Authority).
4. “Grant” means the trust fund grant provided for in the Trust Fund Grant Agreement.
5. “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.
6. “Closing Date” means the date specified in the Trust Fund Grant Agreement after which the Administrator may, by notice to the Recipient, terminate the right of the Recipient to withdraw from the Grant Account.
7. “Trust Fund Grant Agreement” means the particular trust fund grant agreement to which these General Conditions apply, as such agreement may be amended from time to time. Trust Fund Grant Agreement includes these General

Conditions as applied thereto, and all schedules and agreements supplemental to the Trust Fund Grant Agreement.

8. “Dollars” and the sign “\$” mean dollars in the currency of the United States of America.

9. “Effective Date” means the date on which the Trust Fund Grant Agreement shall enter into effect as provided in Section 11.03 of these General Conditions.

10. “Project” means the project or program for which the Grant is granted, as described in the Trust Fund Grant Agreement and as the description thereof may be amended from time to time by agreement between the Recipient and the Administrator.

11. “Taxes” includes imposts, levies, fees and duties of any nature, whether in effect at the date of the Trust Fund Grant Agreement or thereafter imposed.

Section 2.02. References

References in these General Conditions to Articles or Sections are to Articles or Sections of these General Conditions.

Section 2.03. Headings

The headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these General Conditions.

ARTICLE III

Grant Account

Section 3.01. 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 the Trust Fund Grant Agreement and in these General Conditions.

ARTICLE IV

Currency Provisions

Section 4.01. 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 4.02. Valuation of Currencies

Whenever it shall be necessary for the purposes of the Trust Fund Grant Agreement, or any other agreement to which these General Conditions apply, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Administrator.

ARTICLE V

Withdrawal of Proceeds of Grant

Section 5.01. 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 the Trust Fund Grant 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 Bank 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 5.02. Special Commitment 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 5.03. 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 5.02 of these 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 pursuant to this Article, shall be made promptly in relation to expenditures for the Project.

Section 5.04. Reallocation

Notwithstanding the allocation of an amount of the Grant or the percentages for withdrawal set forth or referred to in the Trust Fund Grant Agreement, if the Administrator has reasonably estimated that the amount of the Grant then allocated to any withdrawal category set forth in the Trust Fund Grant 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 5.05. 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 5.06. 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 5.07. 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 the Trust Fund Grant Agreement.

Section 5.08. *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 by, or in the territory of, the Recipient 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 the Trust Fund Grant Agreement as required to be consistent with such policy of the Administrator.

Section 5.09. *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.

ARTICLE VI

Cancellation and Suspension

Section 6.01. *Cancellation by the Recipient*

The Recipient may, by notice to the Administrator, cancel any amount of the Grant which the Recipient shall not have withdrawn, except that the Recipient may not so cancel any amount of the Grant in respect of which the Administrator shall have entered into a special commitment pursuant to Section 5.02.

Section 6.02. *Suspension by the Administrator*

If any of the following events 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 make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Administrator or the Bank: (i) under any trust fund credit agreement between the Recipient, or any agency thereof, and the Administrator, or (ii) under any loan or guarantee agreement between the Recipient, or any agency thereof, and the Bank, or (iii) in consequence of any guarantee or other financial obligation of any kind extended by the Bank to any third party with the agreement of the Recipient.

(b) The Recipient shall have failed to perform any other obligation under the Trust Fund Grant Agreement.

(c) (i) The Administrator or the Bank shall have suspended in whole or in part the right of the Recipient or any agency thereof to make withdrawals under any trust fund credit agreement with the Administrator or any loan agreement with the

Bank because of a failure by the Recipient or any other agency thereof, as the case may be, to perform any of its obligations under such agreement; or (ii) the Bank shall have suspended in whole or in part the right of any borrower to make withdrawals under a loan agreement with the Bank guaranteed by the Recipient because of a failure by such borrower to perform any of its obligations under such agreement.

(d) As a result of events which have occurred after the date of the Trust Fund Grant 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 the Trust Fund Grant Agreement.

(e) After the date of the Trust Fund Grant Agreement and prior to the Effective Date, any event shall have occurred which would have entitled the Administrator to suspend the Recipient's right to make withdrawals from the Grant Account if the Trust Fund Grant Agreement had been effective on the date such event occurred.

(f) A representation made by the Recipient, in or pursuant to the Trust Fund Grant Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Administrator in making the Grant, shall have been incorrect in any material respect.

(g) The Recipient or any Project implementation entity shall, without the consent of the Administrator, have: (i) assigned or transferred, in whole or in part, any of its obligations arising under the Trust Fund Grant Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the Grant, except with respect to transactions in the ordinary course of business which, in the opinion of the Administrator, (A) do not materially and adversely affect the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project, or the ability of the Project implementation entity to perform any of its obligations arising under, or entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of the Project implementation entity.

(h) Any Project implementation entity shall have ceased to exist in the same legal form as that prevailing as of the date of the Trust Fund Grant Agreement.

(i) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of any Project implementation entity.

(j) In the opinion of the Administrator, the legal character, ownership or control of any Project implementation entity shall have changed from that prevailing as of the date of the Trust Fund Grant Agreement so as to materially and adversely affect: (i) the ability of the Recipient to perform any of its obligations under the Trust Fund Grant Agreement or to achieve the objectives of the Project; or (ii) the ability of the Project implementation entity to perform any of its obligations arising under, or

entered into pursuant to, the Trust Fund Grant Agreement, or to achieve the objectives of the Project.

(k) Any other event specified in the Trust Fund Grant 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 6.03. *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 contract to be financed out of the proceeds of the Grant is inconsistent with the procedures set forth or referred to in the Trust Fund Grant Agreement 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 (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 6.04. *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 5.02 of these General Conditions except as expressly provided in such commitment.

Section 6.05. *Effectiveness of Provisions after Suspension or Cancellation*

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

ARTICLE VII

Taxes

Section 7.01. *Taxes*

The Trust Fund Grant Agreement, and any other agreement to which these General Conditions apply, shall be free from any taxes levied by, or in the territory of, the Recipient on or in connection with the execution, delivery or registration thereof.

ARTICLE VIII

Cooperation and Information; Financial and Economic Data; Project Implementation

Section 8.01. *Cooperation and Information*

(a) 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 the Trust Fund Grant 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.

(b) The Recipient shall afford all reasonable opportunity for representatives of the Administrator to visit any site for purposes related to the Grant.

Section 8.02. *Financial and Economic Data*

The Recipient shall furnish to the Administrator all such information as the Administrator shall reasonably request with respect to the financial and economic conditions of the Palestinian Authority including its balance of payments and its external debt as well as that of its political or administrative subdivisions and any entity owned or controlled by, or operating for the account or benefit of the Recipient or the Palestinian Authority, or any such subdivision, and any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, in the West Bank and Gaza.

Section 8.03. *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 8.04. *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 8.05. *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 8.06. *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 the Trust Fund Grant 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) Not later than six months before 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 the Trust Fund Grant Agreement and the accomplishment of the purposes of the Grant.

Section 8.07. *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 8.08. *Land Acquisition*

The Recipient shall take, or 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.

ARTICLE IX

**Enforceability of Trust Fund Grant Agreement;
Failure to Exercise Rights; Arbitration**

Section 9.01. *Enforceability*

The rights and obligations of the Recipient and the Administrator under the Trust Fund Grant Agreement shall be valid and enforceable in accordance with their terms.

Section 9.02. *Failure to Exercise Rights*

No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under the Trust Fund Grant Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default. No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 9.03. *Arbitration*

(a) Any controversy between the parties to the Trust Fund Grant Agreement and any claim by either such party against the other arising under the Trust Fund Grant Agreement which has not been settled by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Administrator and the Recipient.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Administrator; a second arbitrator shall be appointed by the Recipient; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by said President, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other party. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration, the nature of the relief sought, and the name of the arbitrator appointed by the party instituting such proceeding. Within thirty days after such notice, the other party shall notify to the party instituting the proceeding the name of the arbitrator appointed by such other party.

(e) If within sixty days after the notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) The Arbitral Tribunal shall decide all questions relating to its competence and shall, subject to the provisions of this Section and except as the parties shall otherwise agree, determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to the parties a fair hearing and shall render its award in writing. Such award may be rendered by default. An award signed by a majority of the Arbitral Tribunal shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Trust Fund Grant Agreement. Each party shall

abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceedings. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. Each party shall defray its own expenses in the arbitration proceedings. The costs of the Arbitral Tribunal shall be divided between and borne equally by the parties. Any question concerning the division of the costs of the Arbitral Tribunal or the procedure for payment of such costs shall be determined by the Arbitral Tribunal.

(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the settlement of controversies between the parties to the Trust Fund Grant Agreement or of any claims by either party against the other party arising thereunder.

(k) The Administrator shall not be entitled to enter judgment against the Recipient upon the award, to enforce the award against the Recipient by execution or to pursue any other remedy against the Recipient for the enforcement of the award, except as such procedure may be available against the Recipient otherwise than by reason of the provisions of this Section. If, within thirty days after counterparts of the award shall have been delivered to the parties, the award shall not be complied with by the Administrator, the Recipient may take any such action for the enforcement of the award against the Administrator.

(l) Service of any notice or process in connection with any proceeding under this Section or in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 10.01 of these General Conditions. The parties to the Trust Fund Grant Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE X

Miscellaneous Provisions

Section 10.01. *Notices and Requests*

Any notice or request required or permitted to be given or made under the Trust Fund Grant Agreement and any other agreement between the parties contemplated by the Trust Fund Grant Agreement shall be in writing. Except as otherwise provided in Section 11.03 of these General Conditions, 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 facsimile to the party to which it is required or permitted to be given or made at such party's address specified in the Trust Fund Grant Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail.

Section 10.02. *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 the Trust Fund Grant Agreement, and the authenticated specimen signature of each such person.

Section 10.03. *Action on Behalf of the Recipient*

Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Trust Fund Grant Agreement on behalf of the Recipient may be taken or executed by the representative of the Recipient designated in the Trust Fund Grant 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 the Trust Fund Grant 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 the Trust Fund Grant 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 the Trust Fund Grant Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Recipient thereunder.

Section 10.04. *Execution in Counterparts*

The Trust Fund Grant Agreement may be executed in several counterparts, each of which shall be an original.

ARTICLE XI

Effective Date; Termination

Section 11.01. *Conditions Precedent to Effectiveness of the Trust Fund Grant Agreement*

The Trust Fund Grant Agreement shall not become effective until evidence satisfactory to the Administrator shall have been furnished to the Administrator that:

(a) the execution and delivery of the Trust Fund Grant Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and

(b) all other events specified in the Trust Fund Grant Agreement as conditions to its effectiveness have occurred.

Section 11.02. *Legal Opinions or Certificates*

As part of the evidence to be furnished pursuant to Section 11.01 of these General Conditions, the Recipient shall furnish to the Administrator an opinion or opinions satisfactory to the Administrator of counsel acceptable to the Administrator or, if the Administrator so requests, a certificate satisfactory to the Administrator of a competent official of the Recipient, showing:

(a) that the Trust Fund Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms; and

(b) such other matters as shall be specified in the Trust Fund Grant Agreement or as shall be reasonably requested by the Administrator in connection therewith.

Section 11.03. *Effective Date*

(a) Except as the Recipient and the Administrator shall otherwise agree, the Trust Fund Grant Agreement shall enter into effect on the date on which the Administrator dispatches to the Recipient notice of its acceptance of the evidence required by Section 11.01 of these General Conditions.

(b) If, before the Effective Date, any event shall have occurred which would have entitled the Administrator to suspend the right of the Recipient to make withdrawals from the Grant Account if the Trust Fund Grant Agreement had been

effective, the Administrator may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event or events shall have ceased to exist.

Section 11.04. Termination of the Trust Fund Grant Agreement for Failure to Become Effective

If the Trust Fund Grant Agreement shall not have entered into effect by the date specified therein for the purposes of this Section, the Trust Fund Grant Agreement and all obligations of the parties thereunder shall terminate, unless the Administrator, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Administrator shall promptly notify the Recipient of such later date.

