

Construction of the North Gaza wastewater treatment plant with a design capacity of 35,500 cubic meters per day.

2.1. The Contribution shall be used for the following activities:

2. Activities and Expenditures Financed by the Contribution

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively, the "Bank"), the intention of the Kingdom of Belgium, acting through the Directorate General for Development Cooperation (the "Donor") to make available as a grant the sum of four million Euros (€4,000,000) (the "Contribution") for the North Gaza Emergency Sewage Treatment Project (the "Project") for the Palestine Liberation Organization (the Recipient) for the benefit of the Palestinian Authority, to be administered by the Bank in accordance with the terms and conditions set forth below.

Dear Mr. De Decker:

Trust Fund Administration Agreement between Kingdom of Belgium, acting through the Directorate General for Development Cooperation and the International Bank for Reconstruction and Development and the Trust Fund for the North Gaza Emergency Sewage Treatment Project (TF070390) for the Palestine Liberation Organization for the benefit of the Palestinian Authority

Mr. Armand De Decker
Minister for Development Cooperation
Rue de Petits Carmes, 15
B-1000 Brussels, Belgium

November 3, 2005

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
Nigel Roberts
Director, West Bank & Gaza Country Department
P. O. Box 54842, Jerusalem



Tel (Office): 02-236-6500
Fax (Office): 02-236-6543
Email: nroberts@worldbank.org

2.2. The Contribution shall be used to finance the following categories of expenditure:

Categories	Amount of the Grant Allocated (Expressed in Euros)
1. Works	2,286,595
2. Goods	1,633,405
Administrative Cost Recovery (Amount due as per paragraph 6 of this Agreement)	80,000
TOTAL	4,000,000

2.3. If, in the Bank's opinion, an amount of the Contribution funds allocated to any of the expenditure categories will be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the Bank's opinion, will not be necessary to meet other expenditures. The Bank will notify the Donor of such a reallocation.

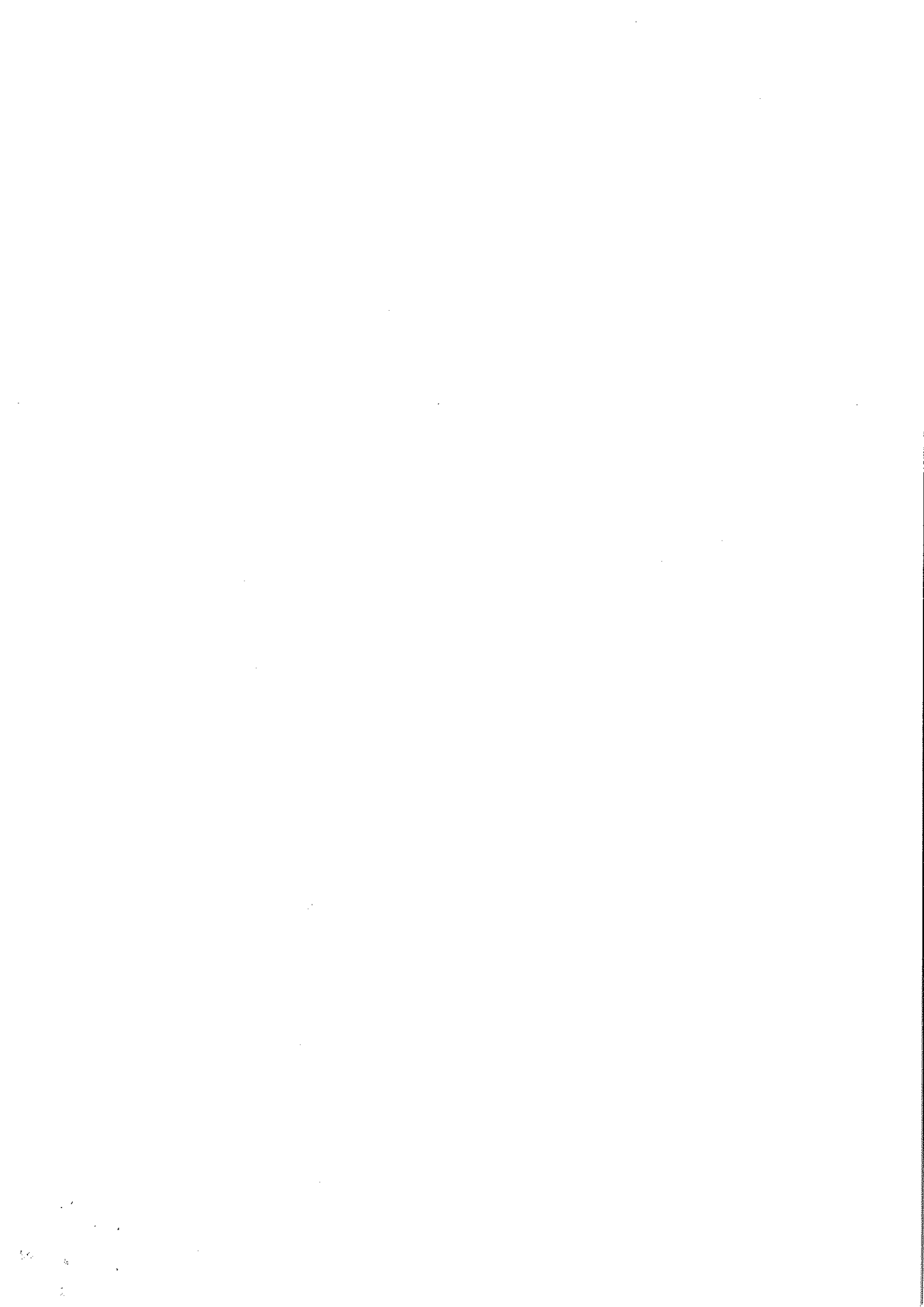
3. Administration of the Contribution

The Contribution shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement. The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

4. Deposit of the Contribution

4.1. The Donor shall deposit the Contribution into the International Bank for Reconstruction and Development's (IBRD's) Cash Account "T" Account Number: 6008-62952017, Swift Bic Code: BOFAGB22, Internal Route Code: BOFALO, maintained with Bank of America N.A., Main Branch, P.O. Box 407, 1 Alie Street, London E1 8DE, United Kingdom promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank.

4.2. When making such deposit, the Donor shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF070390, North Gaza Emergency Sewage Treatment Project, and the date of the deposit. In addition, the Donor shall provide a copy of the Donor's deposit instruction



to the Bank's Accounting Trust Funds Division by e-mail sent to tfremittadvice@worldbank.org or by fax sent to (202) 614-1315.

5. Commingle, Exchange and Investment of the Contribution

5.1. The Contribution funds may be commingled with other trust fund assets maintained by the Bank, but shall be kept separate and apart from the funds of the Bank.

5.2. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

5.3. The Bank shall invest and reinvest the Contribution funds pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to a separate, single trust fund (the "Directorate General for Development Cooperation Balance Account"), (TF029012) which the Bank may also invest.

6. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the Contribution and retain for the Bank's own account an amount equal to two percent (2%) of the Contribution.

7. Grant to Recipient

7.1. The Bank shall, as administrator on behalf of the Donor, enter into a grant agreement (the "Grant Agreement") with the Palestine Liberation Organization (the "Recipient") for the benefit of the Palestinian Authority for the provision of Contribution funds for the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. The Bank shall furnish a copy of the Grant Agreement to the Donor.

7.2. The Bank shall be solely responsible for the supervision of Project activities under the Grant Agreement.

8. Procurement of Goods and Works

The Grant Agreement shall provide that the Contribution shall be used by the Recipient to finance expenditures for goods and works, as the case may be, in accordance with the World Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the World Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect on the date of the Grant Agreement.

9. Accounting and Financial Reporting

9.1. The Bank shall maintain separate records and ledger accounts in respect of the Contribution funds deposited in the trust fund account and disbursements made therefrom.

9.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, the Bank shall furnish to the Donor an unaudited cash-based statement of receipts, disbursements and fund balance in Euros with respect to the Contribution funds. Within six (6) months after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, the Bank shall furnish to the Donor a final unaudited cash-based statement of receipts, disbursements and fund balance in Euros with respect to the Contribution funds.

9.3. The Bank shall also provide the Donor with copies of all financial statements and auditors' reports received by the Bank from the Recipient pursuant to the Grant Agreement.

9.4. The Bank shall provide to the Donor within six (6) months following the end of each Bank fiscal year, a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations shall be borne by the Bank.

9.5. If the Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the trust fund established under this Agreement, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Donor.

10. Coordination and Project Reporting

10.1. The Bank shall provide the Donor with an annual report on the progress of activities financed by the Contribution. Within six (6) months of the final disbursement date specified in paragraph 11.1, the Bank shall furnish to the Donor a final report on the Project activities.

10.2. The Bank shall promptly inform the Donor of any significant modification to the terms of the Grant Agreement and of any contractual remedy that is exercised by the Bank under the Grant Agreement. To the extent practicable, the Bank shall afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.

10.3. Subject to the consent of the Recipient, representatives of the Donor shall be invited to participate in Bank missions related to the Project.

11. Disbursement Deadline; Cancellation; Refund



11.1. It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Agreement by December 31, 2007. The Bank shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donor.

11.2. Either party may, upon three (3) months' prior written notice, cancel all or part of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

11.3. Upon the final disbursement date specified in paragraph 11.1, or upon the date of cancellation of uncommitted Contribution funds in accordance with paragraph 11.2, as the case may be, the Bank shall credit any remaining or cancelled balance of the Contribution funds, as the case may be, to the Directorate General for Development Cooperation Balance Account referred to in paragraph 5.3.

12. Communications and Addresses

The offices responsible for coordination of all matters related to the implementation of this Agreement are:

For the Bank:

Mr. Nigel Roberts
Country Director
West Bank and Gaza Country Department
The World Bank
1818 H Street, NW
Washington, DC 20433
U.S.A.

Tel: (202) 473-4746
Fax: (202) 477-7511

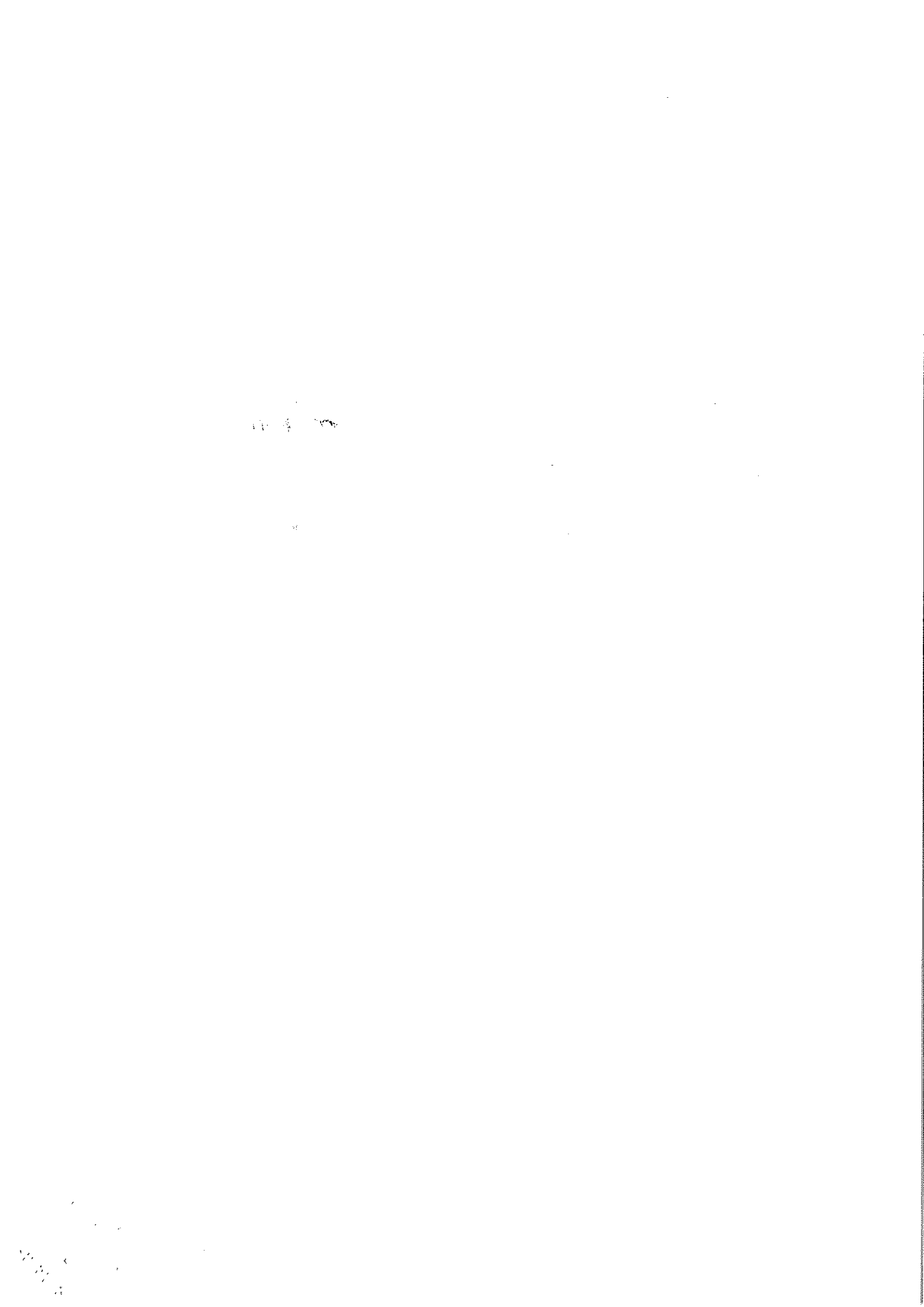
For the Donor:

Mr. Armand De Decker
Minister for Development Cooperation
Rue de Petits Carnes, 15
B-1000 Brussels, Belgium

Tel: 32 2 5828713
Fax: 32 2 5828720

13. Amendment

This Agreement may be amended only by written agreement between the Bank and the Donor.



14. Disclosure

The Bank may disclose this Agreement and information on this trust fund in accordance with the Bank's policy on disclosure of information.

15. Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Nigel Roberts
Country Director
West Bank and Gaza Country Department
Middle East and North Africa Region

AGREED:

KINGDOM OF BELGIUM

Directorate General for Development Cooperation

By

Mr. Armand De Decker

Minister for Development Cooperation

Date

28/06/2006

