February 28, 2013

Mr. Junya Matsuura  
Ambassador for Palestinian Affairs  
Representative of Japan to the Palestinian Authority

Trust Fund Administration Arrangement between the Government of Japan and the International Bank for Reconstruction and Development and the International Development Association for the contribution to the Palestinian Recovery and Development Plan Multi-Donor Trust Fund ("PRDP-TF") - Trust Fund No. TF071607 (Successor to TF 071011)

Dear Mr. Matsuura:

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 Government of Japan (the "Donor") to make available as a grant the sum equivalent to ten million US Dollars ($10,000,000) (the "Contribution") to the Palestinian Recovery and Development Plan Multi-Donor Trust Fund ("PRDP-TF") for the West Bank and Gaza (the "Project") in line with the terms and conditions specified in this Arrangement (the "Arrangement") and the "Standard Provisions Applicable to the Palestinian Recovery and Development Plan Multi-Donor Trust Fund ("PRDP-TF") for the West Bank and Gaza" (the "Standard Provision") attached hereto as Annex 1.

The Donor may from time to time make one or more additional contributions (each a "Supplemental Contribution") to the PRDP-TF, by completing and submitting to the Bank a contribution letter in the format as proposed in Annex 3 to this Arrangement ("Contribution Letter"). By issuing the call of funds referred to in the Contribution Letter ("Call of Funds"), the Bank will be deemed to (i) acknowledge, on behalf of the Bank, the intention of the Donor to make a Supplemental Contribution and (ii) consent to administer such Supplemental Contribution under the terms and conditions in the Annexes to this Arrangement. In response to the Call of Funds sent by the Bank, and upon receipt of the Supplemental Contribution into the account designated by the Bank under the Call of Funds, the term "Contribution" or "Contribution funds" will be deemed to include such Supplemental Contribution.

The Contribution will be used to finance the activities and the categories of expenditure in Section 1 (Objectives) and Section 2 (Eligible Expenditures) of the "Standard Provisions Applicable to the Palestinian Recovery and Development Plan Multi-Donor Trust Fund ("PRDP-TF") for the West Bank and Gaza" (the "Standard Provisions") attached hereto as Annex 1 and subject to Annex 2 (Items not eligible for financing under the PRDP-TF).
The Contribution will be administered by the Bank on behalf of the Donor in line with the terms of this Arrangement and the Standard Provisions. The Standard Provisions constitute an integral part of this Arrangement.

The Donor will deposit the Contribution into such bank account designated in a payment request by the Bank promptly following countersignature of this Arrangement by the Donor and submission of a payment request by the Bank.

When making the deposit, the Donor will 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 Donor for TF071607 (Palestinian Recovery and Development Plan Multi-Donor Trust Fund (Successor to TF071011)), and the date of the deposit. In addition, the Donor will provide a copy of the Donor’s deposit instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to fremitadvice@worldbank.org or by fax sent to (202) 614-1315.

Immediately upon receipt of the Contribution funds, the Bank will convert such funds into United States dollars.

The offices responsible for coordination of all matters related to the implementation of this Arrangement as of the date hereof are as follows. Either side may notify the other in writing of any change in responsible officer.

For the Bank:

West Bank and Gaza Country Management Unit
Middle East and North Africa Region
The World Bank
1818 H Street, NW
Washington, DC 20433
U.S.A.

Tel: +1 202 473 4746
Fax: +1 202 477 7511

For the Donor:

Office of the Representative of Japan to the Palestinian Authority
VIP 2 Center Bldg., 3rd floor
200 Yazour St., Al-Bireh, Ramallah

Tel: +02 241 3120
Fax: +02 241 3123

This Arrangement may be modified only by written consent between the Bank and the Donor; provided, however, that Annex 1 (Standard Provisions) and Annex 2 (Items not eligible for financing under the PRDP-TF) to this Arrangement may only be modified with the consent of all Donors contributing to this trust fund.
It is hereby confirmed that this Arrangement and attached annexes is not a legally binding document and does not create between the Bank and the Donor any rights and obligations under international law.

The terms of this Arrangement will commence on the date confirmed in writing by the Bank of acceptance of this Arrangement.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Mariam Sherman
Country Director

Confirmed:

GOVERNMENT OF JAPAN

By: Junya Matsuura
Name: Junya Matsuura
Title: Ambassador for Palestinian Affairs
Representative of Japan to the Palestinian Authority
Date: 28.02.2013
The following provisions (hereinafter referred to as the “Standard Provisions”) will be applicable to and form an integral part of all agreements and/or Arrangements made between the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Donors’ Contributions”) to be administered by the Bank for the Palestinian Recovery and Development Plan Multi-Donor Trust Fund (“PRDP-TF”) for the West Bank and Gaza (the “Project”).

Definitions

“Grant” means a grant made or to be made by the Bank, out of the PRDP-TF, to the Palestine Liberation Organization, for the benefit of the Palestinian Authority, for the purposes and on terms and conditions set forth in the Grant Agreement (as defined in Section 6).

“PRDP” means the Palestinian Reform and Development Plan (PRDP 2008-2010) dated December 17, 2007, prepared by the Palestinian Authority, containing a 3-year fiscal framework, or the basis of which donors committed their support at the Paris pledging conference or any subsequent development plan prepared by the Palestinian Authority for these purposes.

“Single Treasury Account” means the bank account of the Ministry of Finance of the Palestinian Authority.

1. Objectives

The objectives of the PRDP-TF are to provide budget and development support for the Palestinian Authority’s policy agenda as expressed in the PRDP, and include, but are not limited to, the following aims:

(a) pooling different donor funds into one administrative mechanism that will reduce the transaction costs for the Palestinian Authority; and

(b) helping to alleviate the Palestinian Authority’s fiscal pressure by providing reliable disbursements on a regular basis.

2. Eligible Expenditures

Grants made from the PRDP-TF will finance the recurrent expenditures by the Palestinian Authority with the exception of items described in Annex 2 which will not be eligible for financing. In addition, the PRDP-TF will finance the cost to the Bank to prepare and supervise the implementation of the Project, namely staff costs, consultants’ fees and travel expenses relating to the PRDP-TF. For the avoidance of doubt the terms “staff costs” and “consultants’ fees” include the following expense categories: (a) direct and indirect staff costs; (b) fees and benefits of external consultants; and (c) temporary staff costs. Accordingly,
the PRDP-TF will finance the following cost of the Bank to prepare and supervise the implementation of the Project:

1. Staff costs;
2. Short term consultants' fees;
3. Extended term consultant fees;
4. Temporary staff costs; and
5. Travel expenses.

3. Administration of the Donors' Contributions

The Bank will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donors, 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 Arrangement will 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. Commingling, Exchange and Investment of the Contributions

4.1. The Contribution funds will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The Contribution funds may be commingled with other trust fund assets maintained by the Bank.

4.2. The PRDP-TF will be maintained in United States dollars. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

4.3. The Bank will invest and reinvest the Contribution funds pending their disbursement in line with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the trust fund established under this Arrangement to be used for the same purposes as the Contribution funds.

5. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may, following deposit of the Contribution, deduct and retain for its own account an amount equal to one percent (1%) of the Contribution. In addition, costs for trust fund administration and program management in the amount of $2,741,775 will be charged to the Trust Fund. If the Contributions increase beyond what was originally expected at the time of countersignature of this Arrangement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new Contribution.

6. Grants to Recipient; Role of the Bank; Governance Structure of the PRDP-TF

6.1. The Bank will, as administrator of the PRDP-TF on behalf of the Donors, 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 Arrangement and on the terms and conditions set forth in the Grant Agreement. The Bank will furnish a copy of the Grant Agreement to the Donors.
6.2. The Bank, in consultation with the International Monetary Fund ("IMF"), will be solely responsible for the supervision and monitoring of the progress towards implementation of the PRDP financed under the Grant Agreement.

6.3. In carrying out its responsibilities, the Bank will call consultation meetings with the IMF, the Donors, and the Palestinian Authority. Such meetings will be called at least quarterly in each calendar year.

7. Disbursements

Disbursements of the Grant will be made on a quarterly basis only after the Bank, in consultation with the IMF, has determined that the Palestinian Authority has made satisfactory progress towards the implementation of the PRDP (as further specified in the Grant Agreement), unless the Bank has granted a waiver following consultations with the IMF and the Donors. Additional disbursements may be made if upon request by the Recipient in writing in the case of an extraordinary situation the Bank is of the opinion that an additional disbursement is justified. Disbursements will be made into a separate deposit account under the Single Treasury Account opened by the Palestinian Authority for the purposes of the PRDP-TF (the "Deposit Account").

8. Accounting and Financial Reporting

8.1. The Bank will maintain separate records and ledger accounts in respect of the Donors' Contributions deposited in the trust fund account and disbursements made therefrom.

8.2. The Bank will furnish to the Donor current financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Contribution funds via the World Bank's Trust Funds Donor Center secure website. Within six (6) months of the final disbursement date specified in paragraph 10.1, the final financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Contribution funds will be made available to the Donor via the World Bank's Trust Funds Donor Center secure website.

8.3. The Bank will provide to the Donors, 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 will be borne by the Bank.

8.4. If a 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 Arrangement, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will decide the most appropriate scope and terms of reference of such audit. Following decision of the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the Donor.
9. **Coordination and Project Reporting**

9.1. The Bank will maintain close consultation and coordination with the Donors, and will monitor, in close consultation with the IMF, on a quarterly basis, the progress achieved by the Palestinian Authority in implementing the PRDP. The Bank will provide the Donors after each supervision mission with a progress report on the implementation of the PRDP. Within six (6) months of the final disbursement date specified in Section 10, the Bank will provide a final report on the Project to each Donor.

9.2. The Bank will promptly inform the Donors 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 will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

10. **Disbursement Deadline; Termination; Cancellation; Refund**

10.1. It is expected that the Contribution funds will be fully disbursed by the Bank in with the provisions of this Arrangement by August 1, 2014. The Bank will only disburse Contribution funds for the purposes of this Arrangement after such date with the written approval of the Donors.

10.2. Any Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of the Donor’s pro rata share 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 Arrangement prior to the receipt of such notice, including the Grant Agreement.

10.3. Upon the final disbursement date specified in paragraph 10.1, the Bank will return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor’s pro rata share of uncommitted Contribution funds in line with paragraph 10.2, the Bank will return such cancelled balance to the Donor.

11. **Disclosure**

    The Bank may disclose this Arrangement and information on this trust fund in line with the Bank’s policy on disclosure of information.

12. **Use of funds**

    Recognizing the obligations of the Bank’s member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, the Bank commits to making reasonable efforts, consistent with IBRD’s and IDA’s Articles of Agreement and policies, including those pertaining to combating financing for terrorists, to ensure that the funds provided under this Arrangement are used for their intended purposes and are not diverted to terrorists or their agents.
ANNEX 2

Items not eligible for financing under the PRDP-TF for the Palestinian Recovery and Development Plan for the West Bank and Gaza

"Excluded Expenditure" means an expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the IBRD or IDA has financed or agreed to finance, or which the IBRD or IDA has financed or agreed to finance under another trust fund credit, or trust fund grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
</tbody>
</table>
| 897   | 897.3     | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or
<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>silversmiths' wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws in effect in the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority or international agreements to which the Recipient or the Palestinian Authority is a party;

(e) in the territories (other than the parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority) of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories;

(f) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(g) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or the Palestinian Authority or of a beneficiary of a Grant without the Recipient having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
ANNEX 3

CONTRIBUTION LETTER

[Date]

[Insert the name]  
Country Director  
West Bank and Gaza  
Middle East and North Africa Region  
The World Bank  
1818 H Street, NW  
Washington, DC 20433

Trust Fund Administration Arrangement between the  
[Donor] and the International Bank for Reconstruction and Development and the International Development Association concerning the  
Palestinian Recovery and Development Plan Multi-Donor Trust Fund  
("PRDP-TF") Trust Fund No. TF071607 (Successor to TF071011)

Supplemental Contribution to the PRDP-TF

[Dear :]

1. We refer to the Administration Arrangement dated __________, 2013 between the [Donor] and the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) (collectively, the “Bank”) regarding the PRDP-TF (TF071011), as modified, and to discussions/exchange of correspondences] on [date] in which the Donor has indicated its intention to provide additional funding for the PRDP-TF.

2. We are pleased to confirm to the Bank the [Donor’s name]’s intention to make a Supplemental Contribution to the PRDP-TF in the amount of [currency+ amount in words] ([currency+ amount in numbers])

3. We request the Bank to process the Call of Funds for the Supplemental Contribution specifying the bank account into which the Supplemental Contribution should be deposited.

4. We will deposit the Supplemental Contribution into such bank account as may be designated by the Bank in the Call of Funds promptly following receipt of the Call of Funds from the Bank.

5. All terms defined in the Administration Arrangement will have the same meanings in this Contribution Letter.

6. All other terms of the Administration Arrangement will remain the same.

7. We consent to disclosure of this Contribution Letter and related information on this Trust Fund in line with the World Bank Policy on Access to Information.
Sincerely,

[Donor address/signature]