SUPPLEMENTAL ARRANGEMENT

May 24, 2016

Mr. Steen Jorgensen
Country Director
West Bank and Gaza
Middle East and North Africa Region
The World Bank
1818 H Street, NW
Washington, DC 20433

Supplemental Arrangement
(Trust Fund No. 072593 parallel to the original Trust Fund No. 071607)
Supplemental Contribution to the PRDP-TF

Dear Mr. Jorgensen,

1. We refer to the Administration Arrangement dated February 28, 2013 between the Government of Japan (“Donor”) and the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (IBRD and IDA collectively, the “Bank” and together with the Donor, the “Parties” and each a “Party”) regarding the Palestinian Recovery and Development Plan Multi-Donor Trust Fund (“PRDP-TF”) (TF071607), effective February 28, 2013, as amended (“Administration Arrangement”). We also refer to our recent discussion in which the Donor has indicated its intention to provide additional funding for the PRDP-TF.

2. In connection with the Administration Arrangement and in support of the PRDP-TF, the Donor is pleased to confirm to the Bank its intention to make a supplemental contribution to the PRDP-TF in the amount of twenty million United States Dollars (US$20,000,000) (the “Supplemental Contribution”) in accordance with the terms of this Supplemental Arrangement (the “Supplemental Arrangement”).

3. In order to apply the Bank’s new cost recovery provisions, the Bank has established a new parallel trust fund account (TF072593) (the “Parallel Account”) for purposes of receiving contributions for the PRDP-TF, which will be administered in parallel with the original trust fund account (TF071607) (the “Original Account”), both of which accounts constitute the PRDP-TF.

4. The Donor hereby authorizes the Bank to transfer the Supplemental Contribution from the donor’s balance account TF072564 to the Parallel Account (TF072593) promptly following effectiveness of this Supplemental Arrangement.
5. When making a deposit, the Donor will instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF072593 (the Palestinian Recovery and Development Plan Multi-Donor Trust Fund), and the date of the deposit (the "Deposit Instructions"). In addition, the Donor will provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

6. The Parallel Account, including with respect to the Supplemental Contribution funds and any other funds contributed thereto, will be governed by the terms of the Administration Arrangement, except that the revisions specified in the Schedule to this Supplemental Arrangement will apply.

7. At the date of Bank’s signature of this Supplemental Arrangement, the Indirect Rate (as defined in the Schedule to this Supplemental Arrangement) is seventeen percent (17%).

8. It is hereby understood that: (i) all terms of the Administration Arrangement, as such terms may be amended from time to time, will remain the same and apply to the funds in the Parallel Account; and (ii) all funds in the Original Account will be governed by the Administration Arrangement, as such terms may be amended from time to time, without regard to this Supplemental Arrangement. All terms defined in the Administration Arrangement will have the same meanings in this Supplemental Arrangement.

9. We consent to the disclosure of this Supplemental Arrangement and related information on the PRDP-TF in accordance with the Bank’s Policy on Access to Information.

10. It is understood that this Arrangement, including its Schedule, is not an international treaty and is not eligible for registration as a treaty under Article 102 of the United Nations Charter. It is an administrative arrangement between the Bank and the Donor.
Each of the Donor and the Bank represents, by confirming its agreement below, that it is authorized to enter into this Supplemental Arrangement and act in accordance with its provisions. The Donor and the Bank are each requested to sign and date this Supplemental Arrangement, and upon possession by the Bank of this fully signed Supplemental Arrangement, this Supplemental Arrangement will enter into effect as of the date of the last signature.

GOVERNMENT OF JAPAN

By: [Signature]  Date: May 31, 2016
Name: Takeshi Okubo
Title: Ambassador of Japan

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]  Date: May 24, 2016
Name: Steen Jorgensen
Title: Country Director
Schedule

Revisions to the Administration Arrangement for Purposes of the Parallel Account Only

(A) Section 2 (Eligible Expenditures) of Annex 1 to the Administration Arrangement is hereby substituted with the following provisions:

"2.1. Grants made from the PRDP-TF will finance recurrent expenditures by the Palestinian Authority with the exception of items described in Annex 2 hereto, which will not be eligible for financing. The following eligible expenditures categories may be used to finance Bank-executed activities:

(a) staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries);
(b) extended term consultants and temporaries;
(c) short-term consultants and temporaries; and
(d) travel expenses;

2.2. The following activities may also be financed as Bank-executed activities by the PRDP-TF: management and administration activities for the PRDP-TF, including but not limited to; supporting PRDP-TF related meetings; planning and executing work plans and budgets; managing communications and conducting outreach; disseminating lessons learned; reporting on progress; and monitoring and evaluating the activities.

2.3. For purposes of the expenditure categories listed above in paragraph 2.1: (i) "staff costs (excluding short term consultants and temporaries, and also excluding extended term consultants and temporaries)" includes salaries, benefits and Indirect Rates charged to the Trust Fund as applicable under Bank policies and procedures; (ii) "extended term consultants and temporaries" includes fees, benefits and Indirect Rates charged to the Trust Fund as applicable under Bank policies and procedures; and (iii) "short term consultants and temporaries" includes fees and Indirect Rates charged to the Trust Fund as applicable under Bank policies and procedures.

2.4. The "Indirect Rate" means the indirect rate, defined as a percentage of personnel costs and available at the World Bank's Donor center secure website, as such rate may be revised from time to time by the Bank and applied to this Trust Fund, in accordance with its policies and procedures."

(B) Section 5 (Administrative Cost Recovery) of Annex 1 to the Administration Arrangement is retitled "Trust Fund Fee" and substituted in the entirety with the following provisions:

"5. Trust Fund Fee

The Bank shall calculate a fee each time funds (the "Grant Amount") from the Trust Fund become committed under a Grant Agreement (as such term is defined below in paragraph 6.1 of Section 6 below). Such commitment shall occur when such Grant Agreement is fully countersigned (the "Calculation Date"). The fee so calculated by the Bank shall be based on the cumulative total of funds from the Trust Fund committed under all Grant Agreements that have been fully countersigned on or prior to the Calculation Date (the "Cumulative Grant Total"). The calculated fee shall depend on where the Cumulative
Grant Total stands as the Grant Amount is added and shall be determined in accordance with the following schedule:

(i) 5% of any portion of the Grant Amount that results in a Cumulative Grant Total below or equal to US$ 50 million or equivalent; plus
(ii) 4% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 50 million or equivalent and below or equal to US$ 500 million or equivalent; plus
(iii) 3% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 500 million or equivalent and below or equal to US$ 1 billion or equivalent; plus
(iv) 2% of any portion of the Grant Amount that results in a Cumulative Grant Total above US$ 1 billion or equivalent.

Following each Calculation Date, the Bank shall deduct from TF072593 account, and retain for its own account, the fee as set forth above. Grant Amounts may not exceed the balance of uncommitted funds in such account net of the related fee.”