

On the basis of an agreement still to be concluded between the Government of the Federal Republic of Germany and the Palestinian Authority on Financial Cooperation ("Government Agreement"), the Recipient and KfW hereby enter into the following Financing Agreement:

Article 1

Amount and Purpose of the Financial Contribution

1.1 KfW shall extend to the Recipient a financial contribution not exceeding

DM 19.0 million

This financial contribution shall not be repayable unless otherwise stipulated in Article 3.2.

1.2 The Recipient shall use the financial contribution exclusively for financing sewerage measures for the Municipality of Al Bireh ("project") and primarily to finance the foreign exchange costs. The Recipient and KfW shall determine the details of the Project and the goods and services to be financed from the financial contribution by a separate agreement.

1.3 Taxes and other public charges to be borne by the Recipient and import duties shall not be financed from the financial contribution.

Article 2

Disbursement

2.1 KfW shall disburse the financial contribution in accordance with the progress of the Project and upon request of the Recipient. By a separate agreement, the Recipient and KfW shall determine the disbursement procedure, in particular the evidence proving that the requested funds are used for the stipulated purpose.

2.2 KfW shall have the right to refuse to make disbursements after December 30, 2000.