Loan Agreement

(First Equitable Growth and Job Creation Development Policy Loan)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between THE HASHEMITE KINGDOM OF JORDAN ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS: (A) following an international effort to provide development support to countries most affected by refugees in the Middle East region; and having satisfied itself as to the feasibility and priority of the Program aimed to support the Borrower set foundations to: (i) reduce business costs and improve market accessibility; (ii) create more flexible and integrated labor markets and provide better and more efficient social assistance; and (iii) improve fiscal sustainability and take more informed decisions regarding risk, the Borrower has requested the Bank to extend a loan to assist in the financing of the Program;

(B) funding from the Global Concessional Financing Facility was received by the Bank for purposes of providing concessionality to this Agreement;

(C) under the terms of a Financial Procedures Arrangement with the Trustee of the Global Concessional Financing Facility dated August 10, 2016, the Bank has agreed to provide additional funds to the Borrower (the Concessional Portion of the Loan as hereinafter defined) as part of an integrated lending operation under the terms of this Agreement; and

(D) furthermore, the Bank has decided to provide this financing on the basis of, inter alia, (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework.

NOW THEREFORE, the Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.
ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower a Loan in the amount of five hundred million Dollars ($500,000,000), consisting of the following:

(a) a non-concessional portion of the Loan in an amount of three hundred eighty-nine million Dollars ($389,000,000) ("Non-Concessional Portion of the Loan", as such amount may be converted from time to time through a Currency Conversion; and

(b) a concessional portion of the Loan in an amount of one hundred eleven million Dollars ($111,000,000) ("Concessional Portion of the Loan"). For the avoidance of doubt, the Concessional Portion of the Loan shall not be eligible for Conversions under the General Conditions.

2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Non-Concessional Portion of the Loan.

2.03 (a) The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance of the Non-Concessional Portion of the Loan.

(b) The Commitment Charge shall not be applied to the Concessional Portion of the Loan.

2.04. (a) The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

(b) The Concessional Portion of the Loan shall be made on a non-reimbursable basis.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Non-Concessional Portion of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its minister responsible for planning and international cooperation.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower’s address is:

Ministry of Planning and International Cooperation
Post office Box 555
Amman, 11118
The Hashemite Kingdom of Jordan; and
(b) the Borrower’s Electronic Address is:

Facsimile: E-mail:
+962-6-464 9341 mop@mop.gov.jo

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank’s Electronic Address is:

Telex: Facsimile: E-mail:
248423(MCI) or 1-202-477-6391 tmeyerl@worldbank.org
64145(MCI)
AGREED as of the Signature Date.

THE HASHEMITE KINGDOM OF JORDAN

By:

[Signature]

Authorized Representative

Name: Dr. Mary Kawar

Title: Minister of Planning & International Cooperation

Date: 18 July, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

[Signature]

Authorized Representative

Name: Mr. Saroj Kumar Jha

Title: Regional Director

Middle East Department

Date: 18 July, 2018
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

1. The Borrower has enacted the Monitoring and Inspection Law to reduce the burden on businesses by improving the inspections and monitoring framework.

2. The Borrower's ability to serve Jordanian exporters has been improved by: (a) the Central Bank's and the JLGC's agreement dated March 12, 2017, expanding the resources available for reinsurance and strengthening JLGC's financial capacity to deliver trade insurance products; and (b) restructuring JLGC's Board to include independent directors, as evidenced by the minutes of JLGC's Board's 24th annual regular general assembly meeting, dated March 28, 2018.

3. The Borrower has enacted the Insolvency Law introducing business insolvency procedures.

4. (a) The Borrower, through the MEMR, has adopted indicators, targets and a timeline to address grid-subsidy for self-generation and reduce cross-subsidies, as evidenced by MEMR's letter No. 1/10/3/74 dated May 17, 2018; and (b) EMRC has taken initial actions consistent with them, as evidenced by EMRC's letter No. 1/3/11/38 dated May 27, 2018.

5. The Borrower's Council of Ministers has instructed MoL to carry out a review on the legal framework to identify causes of segmentation in the labor market, as evidenced by Decision No. 8036, dated May 28, 2018.

6. The Borrower, through MoL, has issued Instructions on flexible work with minimum wage rates by unit of hours, published in the Official Gazette on April 1, 2018.

7. The Borrower, through MoL, has: (a) allowed the Jordanian General Federation of Trade Unions to provide work permits for Syrian workers working in the construction sector and removed the requirement of Syrian workers to show a profession practice certificate as a prerequisite to obtain the work permit, as evidenced by Circulars No. 210/2017 and No. 278/2017, dated July 23, 2017 and September 28, 2017 respectively; and (b) waived fees for Syrian workers to obtain work permits for 2018 as evidenced by Circular No. 199/2018, dated May 27, 2018.
8. The Borrower, through the Council of Ministers, has approved a plan to improve and expand the coverage of the NAF cash transfer program to cover at least 85,000 additional households between 2019 and 2021, as evidenced by Decision No. 8057, dated May 28, 2018.

9. The Borrower’s Council of Ministers has reduced exemptions and increased preferential rates in the general sales tax and the special sales tax consistent with the 2018 budget law, as evidenced in its Decisions published in the Official Gazette on January 16, 2018; February 1, 2018; and February 1, 2018.

10. The Borrower’s Council of Ministers has endorsed MoPIC’s proposal for the “Jordan 2018 Public Investment Management – Public-Private-Partnership Governance Framework” as evidenced by: (a) The Prime Minister’s letter dated May 22, 2018; and (b) MoPIC’s letters dated May 20, 2018.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Non-Concessional Portion Tranche Allocated (expressed in US$)</th>
<th>Amount of the Concessional Portion Tranche Allocated (expressed in US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>388,027,500</td>
<td>111,000,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>972,500</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>389,000,000</td>
<td>111,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower’s macroeconomic policy framework.
D. Deposit of Loan Amounts

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Jordanian Dinar equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

E. Closing Date. The Closing Date is June 30, 2020.
SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Non-Concessional Portion of the Loan and the percentage of the total principal amount of the Non-Concessional Portion of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td>1.64%</td>
</tr>
<tr>
<td>Beginning May 15, 2023 through November 15, 2052</td>
<td></td>
</tr>
<tr>
<td>On May 15, 2053</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


2. “Concessional Portion of the Loan” means the amount of the Loan referred to in Article 2.01(b) of this Agreement; which has been contributed for the Program from the CFF on grant basis.


5. “Global Concessional Financing Facility” and “GCFF” each means the financing facility established with a focus on providing concessional financing to middle income countries most affected by the presence of large numbers of refugees, with an initial focus on the Syrian refugee crisis as it impacts eligible countries, and referred to in the Preamble to this Agreement.


8. “Jordanian General Federation of Trade Unions” means the Borrower’s Federation of Trade Unions established on 1954.


14. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 30, 2018, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.

15. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

16. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Wherever used throughout the General Conditions (other than throughout the Appendix), the term “Loan Payment” and “Loan Payments” are modified to read “Payment of the Non-Concessional Portion of the Loan” and “Payments of the Non-Concessional Portion of the Loan”, respectively. Furthermore, wherever used in Section 2.05; Sections 3.01 to 3.07; Section 4.01 to 4.06, Sections 7.05 to 7.07, Section 8.02, and Section 9.05, the term “Loan” is modified to read “Non-Concessional Portion of the Loan”; the term “Unwithdrawn Loan Balance” is modified to read “Unwithdrawn Balance of the Non-Concessional Portion of the Loan”; and the term “Withdrawn Loan Balance” is modified to read “Withdrawn Balance of the Non-Concessional Portion of the Loan”.

3. In the Appendix, Definitions, wherever used in the following definitions of the terms “Automatic Conversion to Local Currency”; “Automatic Rate Fixing Conversion”; “Commitment Linked Repayment Amortization Schedule”; “Conversion”; “Currency Conversion”; “Default Interest Period”; “Default Interest Rate”; “Default Variable Rate”; “Disbursed Amount”; “Disbursement-Linked Amortization Schedule”; “Fixed Rate”; “Fixed Reference Rate”; “Fixed Spread”; “Installment Share”; “Interest Rate Cap”; “Interest Rate Collar”; “Interest Rate Conversion”; “Principal Payment Date”; “Reference Rate Reset Date”;
"Variable Spread"; the term "the Loan" is modified to read "the Non-Concessional Portion of the Loan"; the term "Unwithdrawn Loan Balance" is modified to read "the Unwithdrawn Balance of the Non-Concessional Portion of the Loan"; and the term "Withdrawn Loan Balance" is modified to read "Withdrawn Balance of the Non-Concessional Portion of the Loan".

4. In the Appendix, Definitions, the term "Withdrawn Loan Balance" in the definition of "Commitment Linked Repayment Amortization Schedule" is modified to read "Withdrawn Balance of the Non-Concessional Portion of the Loan".

5. In the Appendix, Definitions, the definition of "Loan Account" is modified to read as follows:

"Loan Account" means the account or accounts opened by the Bank in its books in the name of the Borrower to which the amount of the Loan is credited."

6. In the Appendix, Definitions, the definition of "Loan Payment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.

7. In the Appendix, Definitions, a new paragraph is inserted with the following definition of "Non-Concessional Portion of the Loan", and the remaining paragraphs are renumbered accordingly:

"Non-Concessional Portion of the Loan" means portion of the Loan provided to the Borrower on non-concessional terms in the Loan Agreement."

8. In the Appendix, Definitions, a new paragraph is inserted with the following definition of "Payment of the Non-Concessional Portion of the Loan" and the remaining paragraphs are renumbered accordingly:

"Payment of the Non-Concessional Portion of the Loan" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Balance of the Non-Concessional Portion of the Loan, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

9. In the Appendix, Definitions, a new paragraph is inserted with the following definition of "Unwithdrawn Balance of the Non-Concessional Portion of the Loan", and the remaining paragraphs are renumbered accordingly:
“Unwithdrawn Balance of the Non-Concessional Portion of the Loan” means the amount of the Non-Concessional Portion of the Loan remaining unwithdrawn from the Loan Account from time to time.”

10. In the Appendix, Definitions, a new paragraph is inserted with the following definition of “Withdrawn Balance of the Non-Concessional Portion of the Loan”, and the remaining paragraphs are renumbered accordingly:

“Withdrawn Balance of the Non-Concessional Portion of the Loan” means the amounts of the Non-Concessional Portion of the Loan withdrawn from the Loan Account and outstanding from time to time.”