Project Agreement

(Innovative Startups Fund Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

JORDAN LOAN GUARANTEE CORPORATION

Dated 21 August, 2017
AGREEMENT dated 21 August, 2017, entered into between
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and
the JORDAN LOAN GUARANTEE CORPORATION ("Project Implementing Entity") ("Project
Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between
the HASHEMITE KINGDOM OF JORDAN ("Borrower") and the Bank. The Bank and the Project
Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an
integral 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project.
To this end, the Project Implementing Entity shall carry out the Project in accordance with
the provisions of Article V of the General Conditions, and shall provide, promptly as
needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as
the Bank and the Project Implementing Entity shall otherwise agree, the Project
Implementing Entity shall carry out the Project in accordance with the provisions of the
Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is Secretary General.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
3.03. The Project Implementing Entity’s Address is:

Jordan Loan Guarantee Corporation
P.O. Box 830703
Amman 11183, Jordan

AGREED at Amman, Jordan, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Name: Saroj Jha
Title: Regional Director

JORDAN LOAN GUARANTEE CORPORATION

By

Authorized Representative

Name: M. Al-Jafari
Title: Director General
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. JLGC shall:

   (a) implement the Project and establish and maintain throughout the life of the Project an Implementation Group, with a mandate, terms of reference and a composition acceptable to the Bank;

   (b) be responsible for overall coordination of the Project and overall management of its activities, including monitoring and evaluation, fiduciary and safeguards management, and reporting requirements;

   (c) establish and maintain the ISSF throughout the life of the Project, in a form and with functions and management satisfactory to the Bank and having the capacity to perform its functions under the Project;

   (d) in accordance with the criteria established in the POM and acceptable to the Bank, and no later than ninety (90) days from the Effective Date, cause ISSF to recruit a manager of ISSF ("ISSF Manager"), with terms of reference and qualifications satisfactory to the Bank, to manage ISSF’s investment activities in accordance with the Project Operations Manual;

   (e) no later than ninety (90) days from the Effective Date, recruit a Senior Accountant to assist with the execution of the Project;

   (f) no later than one hundred eighty (180) days from the Effective Date, procure, install and adopt an Enterprise Resource Planning ("ERP") or other accounting software system for project accounting, budgeting and reporting within ISSF and ensure that the ISSF finance and accounting staff are fully trained in the adopted software system;

   (g) select a Board of Directors for ISSF, in a form, composition and with functions satisfactory to the Bank, and comprising individuals with expertise in private sector industry, equity finance, legal and/or accountancy background with the Director General of JLGC acting as the Chairman of the Board;

   (h) cause ISSF to hire or appoint an external auditor of ISSF with qualifications and terms of reference acceptable to the Bank no later than six (6) months after the Effective Date, and shall maintain the external auditor with qualifications and terms of reference acceptable to the Bank throughout the life of the Project;
(i) cause ISSF to hire a consultancy firm- or extend the scope of the external auditor to perform an annual audit of the ISSF Beneficiaries, to ensure that the selection criteria set forth in the POM are met and the necessary due diligence has been carried out ("Agreed Upon Procedures Review");

(j) Within one hundred eighty (180) days from the Effective Date, cause the Board of Directors of ISSF to establish and maintain the Investment Committee in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the Bank. The Investment Committee shall be chaired by one of the members of the Board of Directors (other than the Chairman of JLGC) and consist of the ISSF Manager and private sector individuals selected by the Board of Directors of ISSF, approved by JLGC and acceptable to the Bank; and

(k) cause ISSF to enter into a management agreement with ISSF Manager ("Management Agreement") on terms and conditions acceptable to the Bank, which shall include, inter alia, the following:

(i) without prejudice to the provisions of subparagraph 2(d) above, the ISSF Manager shall: (A) recruit and maintain, throughout the life of the Project, the necessary personnel, with mandate, terms of reference and composition (including a Financial Officer, an accountant and an internal auditor) acceptable to the Bank; and (B) be responsible for carrying out coordination of the Project and day-to-day management of its activities, including monitoring and evaluation, fiduciary and safeguards management, and reporting requirements.

(ii) the ISSF Manager shall carry out the Project in accordance with the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operations Manual without the prior approval of the Bank;

(iii) the ISSF Manager shall maintain, throughout Project implementation, pre-screening, evaluation and supervision procedures for ISSF Investments, acceptable to the Bank; and

(iv) The ISSF Manager shall select Eligible Professional Services Providers for implementing Part B of the Project, in accordance with the Bank-approved guidelines and eligibility criteria, and as reflected in the POM, to carry out Part B of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the JLGC under a subsidiary agreement between the Borrower and the JLGC, under terms and conditions approved by the Bank, which shall include the following ("Subsidiary Agreement"): 

(a) JLGC shall carry out the Project in accordance with the provisions of the Loan Agreement, this Agreement and the POM;

(b) JLGC shall exercise its rights under the Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan;

(c) except as the Bank shall otherwise agree, JLGC or the Borrower shall not assign, amend abrogate or waive the Subsidiary Agreement or any of its provisions;

(d) JLGC shall not be liable to the Borrower for any repayments of the Loan Agreement, and shall not be liable to the Borrower for financial losses from ISSF Investments;

(e) JLGC shall return any profits from ISSF Investments to the Borrower twelve (12) years after the Closing Date or at such later date as the Borrower and JLGC shall agree;

(f) JLGC shall cause the Board of Directors of ISSSF to make any Agreed Exits in accordance with the terms, conditions and methods set forth in the POM, and shall reinvest any amounts arising from such Agreed Exits in further ISSF Investments in accordance with the provisions of the Loan Agreement, this Agreement and the POM, and shall return any amounts remaining from such Agreed Exits to the Borrower twelve (12) years after the Closing Date or at such later date as the Borrower and JLGC shall agree; and

(g) to facilitate the carrying out of Parts A and B of the Project, JLGC shall:

(i) establish and maintain the ISSF in accordance with the provisions of the Loan Agreement, this Agreement and the POM; and

(ii) ensure that any key changes to the investment strategies pursued by the Board of Directors of ISSF or ISSF Manager receive prior approval by the Bank, JLGC and the Investment Committee.

2. JLGC shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, JLGC shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
D. ISSF Sub-Financing

1. JLGC shall ensure that the ISSF selects ISSF Beneficiaries and approves ISSF Investments and the related ISSF Sub-financing in accordance with the eligibility criteria and terms set forth in the Project Operations Manual, including the requirements that each ISSF Beneficiary must:

   (a) have physical operational presence in the Borrower’s territory and, if the ISSF Beneficiary is a financial intermediary, invest in companies physically located in the Borrower’s territory;

   (b) not have an adverse or disclaimer audit opinion in the last three years;

   (c) not be under litigation or on a list of banned or suspended companies by JLGC or by the Bank; and

   (d) not have any key personnel with a criminal record or who are on any list of banned or suspended individuals by JLGC or by the Bank.

2. JLGC shall ensure that ISSF provides ISSF Sub-Financing to ISSF Beneficiaries in accordance with the eligibility criteria and procedures acceptable to the Bank and included in the POM, which shall include the following:

   (a) the choice of ISSF Beneficiaries and the selection of investment activities and sectors of activity shall be undertaken according to industry best practices and on the basis of principles of good governance, equity and transparency; and

   (b) no investment activity or sector of activity shall benefit from funding under the Project if it belongs to the negative list of activities or sectors of activity deemed ineligible for support under the Project and specified in the ESMF and POM.

3. To facilitate the carrying out of Part A(1) of the Project, JLGC shall ensure that each ISSF Sub-Financing Agreement entered into between the ISSF and each ISSF Beneficiary includes provisions that ensure that the ISSF obtains rights adequate to protect its interests and those of JLGC, the Borrower, and the Bank, including the right to:

   (a) terminate the right of the ISSF Beneficiary to use the proceeds of the ISSF Sub-financing, or obtain a refund of all or any part of the amount of the ISSF Sub-financing received, upon the ISSF Beneficiary’s failure to perform any of its obligations under the ISSF Sub-financing Agreement; and

   (b) require each ISSF Beneficiary to:

      (i) carry out its operations with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including Safeguards
Instruments) and practices, all satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;

(ii) provide, promptly as needed, the resources required for the purpose of the ISSF Sub-financing;

(iii) maintain policies and procedures adequate to enable it to monitor and evaluate its operations, in accordance with indicators acceptable to the Bank;

(iv) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect its operations, resources and expenditures;

(v) have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the ISSF and, if so requested, the Bank;

(vi) enable the ISSF and the Bank to inspect the ISSF Beneficiary’s operations and any relevant records and documents; and

(vii) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

4. JLGC shall ensure that the ISSF shall exercise the rights and carry out the obligations of the ISSF under each ISSF Sub-financing Agreement in such manner as to protect the interests of JLGC, the Borrower and the Bank and to accomplish the purposes of the Loan.

5. JLGC shall ensure that the ISSF shall not assign, amend, terminate, abrogate, waive or fail to enforce any ISSF Sub-financing Agreement or any of its provisions, except as the Bank and the Borrower shall otherwise agree.

E. Investment Support Financing

To facilitate the carrying out of Part A(2) of the Project, JLGC shall ensure that:

1. The ISSF provides Investment Support Financing to ISSF Beneficiaries, selected in accordance with the eligibility criteria and terms set forth in the Project Operations Manual, and subject to Investment Committee’s review, recommendation/ approval; and

2. An Investment Support Financing Agreement is entered into between ISSF and each ISSF Beneficiary, in accordance with the terms and conditions set forth in the Project Operations Manual.
F. Deal Flow Creation Financing

To facilitate the carrying out of Part B of the Project, JLGC shall ensure that:

1. The ISSF provides Deal Flow Creation Financing to Eligible Professional Services Providers, selected in accordance with the eligibility criteria and terms set forth in the Project Operations Manual; and

2. A Deal Flow Creation Financing Agreement is entered into between ISSF and each Eligible Professional Services Provider, in accordance with the terms and conditions set forth in the Project Operations Manual.

G. Safeguards

1. JLGC shall monitor on a continuing basis the implementation of the Safeguard Instruments and ensure that the Project is executed in strict accordance with such Safeguard Instruments, and, upon the occurrence of any event or condition likely to interrupt or interfere with the smooth implementation of the Safeguard Instruments, JLGC shall act promptly to deal with or address such event or condition, and inform the Borrower and the Bank accordingly.

2. For the purposes of any Equity Investment or other activity under the Project, and prior to implementation thereof, JLGC shall ensure that any plan, action plan, fact sheet or other instrument required in terms of any one or more of the Safeguard Instruments, shall have been duly:

   (a) prepared in form and substance satisfactory to the Bank, and, except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and

   (b) thereafter adopted and publicly disclosed.

3. JLGC shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, on an annual basis, reports on the status of compliance with the Safeguard Instruments, giving details of:

   (a) measures taken in furtherance of such Safeguard Instruments;

   (b) any event or condition which interferes or threatens to interfere with the smooth implementation of such Safeguard Instruments; and

   (c) remedial measures taken or required to be taken to address such event or condition.

4. Except as the Bank shall otherwise agree in writing, JLGC shall not amend, waive or abrogate, or cause to be amended, waived or abrogated, any provision of the Safeguard Instruments.
Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. JLGCC shall cause ISSF to monitor and evaluate the progress of the Project and prepare Project Reports the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. JLGCC shall cause ISSF to provide to the Borrower not later than four months after the Closing Date, for incorporation in the report referred to in Section 5.08(c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain, and shall cause ISSF to maintain, a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity and ISSF, including the operations, resources and expenditures related to the Project.

2. JLGCC shall cause ISSF to prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Project Implementing Entity shall cause ISSF to have the Financial Statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the ISSF. The Project Implementing Entity shall ensure that ISSF’s audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.