Project Agreement

(Regional and Local Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CITIES AND VILLAGES DEVELOPMENT BANK

Dated January 18, 2007
PROJECT AGREEMENT

AGREEMENT dated January 18, 2007, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and CITIES AND VILLAGES DEVELOPMENT BANK ("CVDB") ("Project Agreement") in connection with the Loan Agreement of same date between Hashemite Kingdom of Jordan ("Borrower") and the Bank ("Loan Agreement"). The Bank and CVDB 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 the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

2.01. CVDB declares its commitment to the objectives of the Project. To this end, CVDB shall:

(a) carry out parts B and C of the Project in accordance with the provisions of Article V of the General Conditions; and

(b) provide promptly as needed, the funds, facilities, services and other resources required for Parts B and C of the Project.

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

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. CVDB’s Representative is its General Manager, or such other person or persons as the CVDB shall designate in writing.
3.02. The Bank’s Address is:

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

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. CVDB’s Address is:

Cities and Villages Development Bank
P. O. Box 1572
Amman
The Hashemite Kingdom of Jordan

Telex: 22476 JO
Facsimile: 962-6-569-2059

AGREED at District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

/s/ Daniela Gressani
Authorized Representative

CITIES AND VILLAGES DEVELOPMENT BANK

By

/s/ Walid Al-Hadid
Authorized Representative
SCHEDULE

Execution of Parts B and C of the Project

Section I. Institutional and Other Arrangements

1. CVDB shall implement Parts B and C of the Project in accordance with the provisions of the Operational Manual and the Environmental Management Plan. Except as the Bank shall otherwise agree, CVDB shall not amend or waive any provision of the Operational Manual or the Environmental Management Plan if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. CVDB shall maintain its planning and development department with functions, staffing and resources satisfactory to the Bank including responsibilities for inter alia: (i) monitoring and overseeing implementation of Parts B and C of the Project including implementation of PBBG Sub-Projects; (ii) co-ordination with MOMA; (iii) procurement; (iv) financial management including maintenance of accounting records and disbursement; (v) Project reporting; and (vi) monitoring and evaluation.

3. For purposes of carrying out Part B of the Project, CVDB shall enter into a multi-partite municipal compact agreement with each Beneficiary Municipality, MoMA, and any other relevant authority including the Water Authority of Jordan in cases of PBBG Sub-Projects related to water and wastewater networks, in form and substance satisfactory to the Bank, setting out inter alia:

(a) the detailed duties and responsibilities of the Beneficiary Municipality and other parties during implementation of the municipal compact agreement;

(b) terms and conditions of use of the PBBGs;

(c) implementation time-frame, performance monitoring indicators and targets to measure performance of the Beneficiary Municipality;

(d) commitment to by the Beneficiary Municipality to a time-bond infrastructure program agreement, inclusive of an asset management plan;

(e) financial and maintenance requirements and management efforts to be fulfilled by the Beneficiary Municipality including the requirement to prepare records, accounts and financial statements in connection with Project activities for each fiscal year and to have such accounts audited annually in accordance with auditing standards acceptable to the Bank,
consistently applied, by independent auditors acceptable to the Bank, and to submit certified copies of the financial statements together with an auditors opinion thereon to the Bank within six months of the end of the fiscal year;

(f) an obligation to provide to the Bank such information in respect of the carrying out of PBBGs as the Bank may from time to time reasonably request;

(g) an obligation to allow the Bank access to all books of account and records relating to PBBGs, and to allow the Bank the right to inspect any PBBG Sub-Project;

(h) that the proceeds of each PBBG will be used for the purposes of the Project; and

(i) an obligation to follow the procedures set forth in the Operational Manual and the Environmental Management Plan to the extent and in each case that these are applicable to a PBBG Sub-Project.

4. CVDB shall identify and select Beneficiary Municipalities to implement PBBG Sub-Projects to be financed by the proceeds of the PBBGs under Part B of the Project, in accordance with eligibility criteria and procedures set out in the Operational Manual.

5. CVDB shall prepare a multi-year business plan which shall include provisions to increase its revenue and improve the sustainability of its operations.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. CVDB shall monitor and evaluate the progress of Parts B and C of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of indicators agreed with 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. CVDB shall provide to the Borrower not later than four (4) months prior to 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; Audits**

1. CVDB shall 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 CVDB, including the operations, resources and expenditures related to Parts B and C of the Project.

2. CVDB shall have its financial statements referred to above 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 CVDB. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

**Section III. ** **Procurement**

All goods, works and services required for Parts B and C of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.