Financing Agreement

(Economic Opportunities For Jordanians and Syrian Refugees Program)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 9, 2016
FINANCING AGREEMENT

AGREEMENT dated October 9, 2016, entered into between THE HASHEMITE KINGDOM OF JORDAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

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 at providing economic opportunities to Jordanians and Syrian refugees, as further described in Schedule 1 to this Agreement, the Recipient has requested the Association, on an exceptional basis, to extend a credit to assist in the financing of the Program;

(B) The Recipient has also obtained a loan in the amount of two hundred million Dollars ("Loan"), which Loan has been contributed for the Program by the International Bank for Reconstruction and Development ("Bank") under the Loan Agreement (as defined hereinafter);

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in the amount of one hundred million Dollars (US$100,000,000) (variously, "Credit" and "Financing"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum.

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

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that any legislation, license or other legal instrument related to the implementation of the Program has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the achievement of the objective of the Program, or the ability of the Recipient to implement the Program.

4.02. The Additional Event of Acceleration consist of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister responsible for planning and international cooperation.

6.02. The Recipient’s Address is:

Ministry of Planning and International Cooperation  
Post office Box 555  
Amman, 11118  
The Hashemite Kingdom of Jordan

Facsimile:

+962-6-464 9341

6.03. The Association’s Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:  Facsimile:

248423 (MCI)  1-202-477-6391
AGREED at Washington D.C., United States of America, as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN

By

Authorized Representative

Name: Imad Najib Fakhoury
Title: Ministry of Planning and International Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Hafez Chanem
Title: Regional Vice President
SCHEDULE 1

Program Description

The objective of the Program is to improve economic opportunities for Jordanians and Syrian refugees in the Recipient's territory.

The Program is part of the Recipient's program, namely the Jordan Compact Program and consists of the following activities:

Part A. Improving Labor Market

Carrying out a program of activities aimed at improving the access of Jordanians and Syrian refugees to the labor market in Jordan through, *inter alia*: (1) implementing required reforms and procedures for the issuance of work permits to Syrian refugees and legalizing their work; and (2) disclosing reports on selected environmental and social conditions at the factory level.

Part B. Improving the Investment Climate

Carrying out reforms to improve the business environment in the Recipient territory, through *inter alia*: (1) institutionalizing business reforms; (2) creating systems to identify required reforms and appropriate implementation tools; (3) ensuring the private sector involvement in dialogue and processing of reforms; and (4) facilitating the establishment and functioning of SMEs and home-based enterprises.

Part C. Improving Investment Promotion

Carrying out a program of activities aimed at encouraging investors to develop enterprises in the Recipient territory though, *inter alia*: (1) facilitating access to information and sites visits; and (2) strengthening the investment promotion capacity of JIC.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section I, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall maintain at all times during Program implementation, with terms of reference, mandate, composition and resources satisfactory to the Association, the Project Management Unit, to be responsible for: (i) the overall management, coordination, reporting, monitoring, and evaluation of Program implementation; (ii) hiring and interfacing with independent verification agencies; (iii) carrying out the technical audits; and (iv) facilitating financial audits for the Program, all in accordance with the provisions of this Agreement and the Program Operational Manual.

2. Program Operational Manual

(a) The Recipient shall, not later than four (4) months after the Effective Date, prepare an operational manual for the Program, in form and substance
acceptable to the Association, containing detailed: (i) administrative, procurement, financial management and monitoring and evaluation procedures; (ii) environmental, social management systems and complaints and grievance redress mechanism; (iii) Program Action Plan; (iv) arrangements for verification of achievement of the DLRs (including the Verification Protocol); (v) process and procedures for determining Syrian refugees’ status; and (vi) coordination and oversight arrangements for the Program.

(b) The Recipient shall: (i) furnish said manual to the Association for its review; (ii) afford the Association a reasonable opportunity to exchange views with the Recipient on said manual; and (iii) thereafter adopt such Program operational manual as shall have been approved by the Association (“Program Operational Manual”).

(c) The Recipient: (i) shall ensure that the Program is carried out in accordance with the Program Operational Manual; and (ii) shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any of its provisions without the prior written agreement of the Association.

3. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Recipient shall carry out the Program Action Plan, or cause the Program Action Plan to be carried out, in accordance with the schedule set out in the said Program Action Plan in a manner acceptable to the Association. Except as the Association may agree after consultation with the Recipient, the Recipient shall ensure that the Program Action Plan is not amended, waived, suspended, terminated or abrogated.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$1,000,000 equivalent or more per contract; (2) goods, estimated to cost US$1,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost US$1,000,000 equivalent or more per contract; or (4) consulting services, estimated to cost US$300,000 equivalent or more per contract.
Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Program Financial Audits

1. Without limitation upon the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Unless otherwise agreed by the Association, each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

2. The Recipient shall, not later than six (6) months after the Effective Date, hire and thereafter maintain at all times during Program implementation, external auditors whose qualifications, experience, and terms of reference shall be acceptable to the Association.

C. Verification Protocol

1. The Recipient shall: (a) not later than 3 months after the Effective Date, recruit independent verification agencies under terms of reference satisfactory to the Association to be responsible for preparing and providing verifications reports certifying the achievement of DLR (3), which is set forth in Section IV.A.2 of this Schedule; (b) ensure that the Audit Bureau prepares and provides verifications reports certifying the achievement of DLRs (1), (2), (4) and (5), which are set forth in Section IV.A.2 of this Schedule; (c) ensure that the PMU prepares the consolidated implementation report after the verification of compliance of said DLRs; and (d) furnish a report on the results of said verification of compliance process of such scope and in such details as the Association shall request.

2. Said verification reports shall be based on on-desk review of the documentation available and on-site verification in a representative sample of areas targeted by the Program.
Section IV.  Withdrawal of Financing Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient to finance the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:

<table>
<thead>
<tr>
<th>Category (including Disbursement Linked Indicator as applicable)</th>
<th>Disbursement Linked Result (as applicable)</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
<th>Disbursement Calculation Formula (Amounts Allocated proportionally between the Loan and the Credit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) DLI #1: number of work permits (WP) issued to Syrians refugees</td>
<td>DLR#1.1: 20,000 issued between April 8, 2016 and October 31, 2016.</td>
<td>6,666,667</td>
<td>DLR#1.1: US$1000 for each WP issued between April 8, 2016 and October 31, 2016, up to a maximum of US$20,000,000.</td>
</tr>
<tr>
<td></td>
<td>DLR#1.2: 5,000 by December 31, 2016.</td>
<td>11,666,666</td>
<td>DLR#1.2: US$7000 for each additional WP issued before December 31, 2016, incremental to the 20,000 provided for under DLR#1.1, up to a maximum of US$35,000,000.</td>
</tr>
<tr>
<td></td>
<td>DLR#1.3: 55,000 in CY17.</td>
<td>8,333,333</td>
<td>DLR# 1.3: US$455 for each additional WP issued each CY, up to a maximum of US$25,000,000.</td>
</tr>
<tr>
<td>DLR#1.4: 90,000 CY18.</td>
<td>8,333,333</td>
<td>DLR# 1.4: US$278 for each additional WP issued in CY18 up to a maximum of US $25,000,000.</td>
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<tr>
<td>DLR#1.5: 130,000 in CY19.</td>
<td>8,333,334</td>
<td>DLR# 1.5: US$193 for each additional WP issued in CY19 up to a maximum of US $25,000,000.</td>
<td></td>
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<tr>
<td>(2) DLI #2: annual public disclosure by Better Work Jordan of report on factory level compliance with a list of at least 29 social and environmental related items.</td>
<td>1,666,667</td>
<td>US$5,000,000 per CY, from CY17 to CY20.</td>
<td></td>
</tr>
<tr>
<td>DLR#2.1 to DLR#2.4: Better Work Jordan report published every CY.</td>
<td>1,666,667</td>
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<td>1,666,667</td>
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<td>1,666,667</td>
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<td></td>
<td>1,666,667</td>
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<tr>
<td>(3) DLI #3: Establishment and implementation of selected simplified and predictable regulations for the private sector including household businesses.</td>
<td>5,000,000</td>
<td>DLR#3.1: US$15,000,000 by Closing Date.</td>
<td></td>
</tr>
<tr>
<td>DLR#3.1: A reform establishing a predictability process for issuance of business regulations has been identified and adopted following an inclusive public-private dialogue and a measurement system (including baseline identification) has been prepared.</td>
<td>5,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLR#3.2: One key business regulatory reform has been identified following an inclusive public-private dialogue; and a measurement system covering the time, cost and complexity of the compliance process has</td>
<td>5,000,000</td>
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</table>
been prepared (including baseline identification).

<table>
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<tr>
<th>DLR#3.3: 1000 officially established household enterprises of which 100 are Syrian refugee owned and 100 female owned.</th>
<th>6,666,667</th>
<th>DLR#3.3: US$200,000 for each additional 10 household enterprises officially established of which at least one owned by a Syrian refugee household and one owned by a female, up to a maximum of US$20,000,000 by Closing Date.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLR#3.4: 70% of business regulations mandatory to the private sector have been issued following the predictability process adopted under DLR#3.1.</td>
<td>3,333,333</td>
<td>DLR#3.4: US$10,000,000 by Closing Date.</td>
</tr>
<tr>
<td>DLR#3.5: Regulatory burden on businesses has decreased by 30% following implementation of business regulatory reform adopted under DLR#3.2.</td>
<td>3,333,333</td>
<td>DLR#3.5: US$10,000,000 by Closing Date.</td>
</tr>
<tr>
<td>(4) DLI #4: Increase in number of enterprises on the Custom Golden List</td>
<td>DLR#4.1: 300 enterprises newly added to the Custom Golden List by Closing Date.</td>
<td>6,666,667</td>
</tr>
<tr>
<td>(5) DLI #5: Number of investments benefiting from investment facilitation by JIC.</td>
<td>DLR#5.1: Removing the minimum capital requirement for foreign investments.</td>
<td>5,000,000</td>
</tr>
<tr>
<td><strong>DLR#5.2: 530 investments benefiting</strong></td>
<td>15,000,000</td>
<td>DLR#5.2: US$84,906 per additional facilitated investment, up to a</td>
</tr>
</tbody>
</table>
from investment facilitation by JIC. | maximum of US$45,000,000 by Closing Date.
TOTAL AMOUNT | $100,000,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section II of the Appendix to this Agreement and relating to Program Expenditures), for DLRs (DLR#1.1 and DLR#5.1) achieved prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $15,000,000 may be made for such DLRs achieved prior to this date but on or after April 8, 2016; or

   (b) for any DLR under Category (1) through Category (5) (except DRL#1.1 and DLR#5.1) until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(a) of this Section, the Recipient may withdraw an amount not to exceed $25,000,000 as an advance; provided, however, that if the DLRs in the opinion of the Association, are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association in accordance with the provisions of paragraph (3) of this Part B) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, if the DLRs under Category (1); (4); or DLRs# 3.4 under Category (3); or DLR#5.2 under Category (5) have not been achieved, the Association may, by notice to the Recipient:

   (a) authorize: (i) the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with the Disbursement Calculation Formula set out in the fourth column of the table in Section IV.A.2 of this Schedule; and (ii) the disbursement of previously
undisbursed amounts allocated to the respective DLR, if and when the Association shall be satisfied, on the basis of evidence satisfactory, that a partially achieved DLR for which a lesser amount has been disbursed pursuant to subparagraph (i) above has been fully achieved;

(b) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR to any other DLR; and/or

(c) cancel all or a portion of the proceeds of the Loan then allocated to said DLR.

4. The Closing Date is January 31, 2021.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each November 15 and May 15, commencing November 15, 2022 to and including May 15, 2054</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Audit Bureau" means the Recipient's national audit agency established pursuant to Law no. 28 of 1952, as the same may be amended from time to time.

3. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. "Better Work Jordan" means the Recipient's national program in partnership with international organizations aimed at, inter alia, improving labor standards in selected private sector areas.

5. "CY" means the Recipient's calendar year.

6. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. "Custom Golden List" means the Recipient's list of entities approved for fast-track customs clearance.

8. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, and "DLIs" means more than one DLI.

9. "Disbursement Linked Result" or "DLR" means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV, and "DLRs" means more than one DLR.

10. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
11. "Jordan Compact Program" means the Recipient’s program agreed upon with the international community to address the impact of the Syrian refugee crisis on Jordan and adopted on February 4, 2016 in London.

12. "Jordan Investment Commission" and "JIC" each means the Recipient’s commission established by Law no.30 of 2014 and responsible for promoting and support investments in Jordan, as the same may be amended from time to time.

13. "Loan" means the loan provided for in the Loan Agreement (as hereinafter defined) which has been contributed for the Program by the Bank.

14. "Loan Agreement" means the loan agreement for the Program between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.

15. "Program Action Plan" means the Recipient’s plan dated September 7, 2016 and referred to in Section I.C.3 of Schedule 2 to this Agreement, as may be amended from time to time with the written agreement of the Association.

16. "Program Fiduciary, Environmental and Social Systems" means the Recipient’s systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

17. "Program Management Unit" and "PMU" each means the unit responsible for Program implementation and referred to in Section I.C.1 of Schedule 2 to this Agreement.

18. "Program Operational Manual" means the manual referred in Section II.C.2.(b) of Schedule 2 to this Agreement.

19. "SME" means small and medium enterprise; and "SMEs" means more than one SME.

20. "Verification Protocol" means the protocol for DLIs and DLRs verification referred to in Section III.C of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is
modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. 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.

3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.04, *Designated Accounts*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.”

9. Section 6.01, *Cancellation by the Recipient*, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”
10. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled “Misprocurement”, is deleted, and subsequent paragraphs are relettered accordingly.

11. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the *Appendix, Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.