Project Agreement

(Additional Financing for Micro, Small, and Medium Enterprise Development for Inclusive Growth Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

CENTRAL BANK OF JORDAN

Dated April 17, 2015
AGREEMENT dated April 17, 2015, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and CENTRAL BANK OF JORDAN ("Project Implementing Entity") ("Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between 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 objectives 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 the Governor of the Project Implementing Entity.

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. The Project Implementing Entity’s Address is:

King Hussain Street
P.O. Box 37
Amman 11118
Jordan

Telephone: +962-6-463030301    Telex: 21250 bankazi Jo    Facsimile: +962-6-4638889

AGREED at Washington D.C., United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

[Signature]

Authorized Representative

Title: Name: Hafez M. H. Ghanem

Title: Regional Vice President

CENTRAL BANK OF JORDAN

By

[Signature]

Authorized Representative

Name: Maher K. Sheikh Hasan

Title: Deputy Governor
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out the Project through its PIU in accordance with the Loan Agreement, Project Operational Manual, this Agreement and the ESMF. To this end, the Project Implementing Entity shall maintain, throughout the life of the Project, the PIU in a form and with functions, staffing, resources, terms of reference and qualifications satisfactory to the Bank.

2. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual, this Agreement and ESMF, without the prior written approval of the Bank.

B. Anti-Corruption

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

C. Safeguards

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the ESMF, and that Sub-projects are screened and carried out in accordance with the provisions of the Project Operational Manual and the ESMF. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the ESMF, without the prior written approval of the Bank. The Project Implementing Entity shall ensure that adequate information on the implementation of the ESMF is included in the Project Reports referred to in Section II.A. of this Schedule.

D. FI Agreements

1. The Project Implementing Entity shall enter into a FI Agreement with each PFI and Selected MFI on the terms and conditions set forth in the Project Operational Manual and eligibility criteria and procedures acceptable to the Bank, and monitor compliance by each PFI and Selected MFI with the terms and conditions of each FI Agreement. The Project Implementing Entity shall exercise its rights under each FI Agreement in such manner as to protect the interests of the Project Implementing Entity, Borrower, and the Bank and to accomplish the purposes of the Loan.

2. The Project Implementing Entity shall ensure that each FI Agreement shall be entered into on terms and conditions approved by the Bank which shall include the following:

(a) The FI Loan:
(i) may be denominated and repayable in Jordanian Dinars or foreign currency;

(ii) shall be charged interest on the principal amount withdrawn and outstanding from time to time; and

(iii) shall be repayable over a period not exceeding fifteen (15) years from the date of disbursement of the FI Loan, inclusive of a grace period not exceeding five (5) years.

(b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Bank and the Borrower, including the right to:

(i) suspend or terminate the right of the FI or Selected MFI to use the proceeds of the FI Loan, or declare to be immediately due and payable or obtain a refund of all or any part of the amount of the FI Loan then withdrawn, upon the PFI's or Selected MFI's failure to perform any of its obligations under the FI Agreement; and

(ii) require each PFI and Selected MFI to:

(A) carry out its obligations under FI Loans with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices 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;

(B) provide, promptly as needed, the resources required for the purpose;

(C) cause the Eligible Beneficiaries to procure the goods, works and services to be financed out of the Sub-loans in accordance with the provisions of the Loan Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-projects and the achievement of their objectives;

(E) 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, resources and expenditures related to the Sub-projects; and

(2) 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 Borrower, the Bank and the Project Implementing Entity;

(F) enable the Borrower, the Bank and the Project Implementing Entity to inspect the Sub-projects, their operations and any relevant records and documents; and

(G) prepare and furnish to the Borrower, the Bank and the Project Implementing Entity all such information as the Borrower; the Bank or the Project Implementing Entity shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall fulfill its obligations and exercise its rights under each FI Agreement in such manner as to protect the interests of the Borrower, the Bank and the Project Implementing Entity and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any FI Agreement or any of its provisions.

4. Notwithstanding any of the provisions of this Agreement or of the Loan Agreement, the Project Implementing Entity shall not enter into a FI Agreement with, or provide a FI Loan to, any Selected MFI unless and until the Borrower’s Regulation of Microfinance Companies (Regulation No. 5 of 2015) shall have come into effect in accordance with its terms.

E. Sub-projects Selection

The Project Implementing Entity shall ensure that PFIs and Selected MFIs:

(a) Select: (i) in the case of PFIs, Eligible Beneficiaries or MFIs; and (ii) in the case of Selected MFIs, Eligible Beneficiaries, in each case which comply with the eligibility criteria set forth in the Project Operational Manual which shall include, but not be limited to, that the Eligible Beneficiaries or MFIs, as applicable, shall have an ownership, management and financial structure consistent with the laws and regulations of the Borrower.

(b) Screen and select Sub-projects in accordance with the selection and eligibility criteria set forth in the Project Operational Manual and ESMF. The following Sub-projects shall not be eligible for financing, as further set forth in the Project Operational Manual:

(i) any Sub-projects involving non-eligible expenditures (as such term is defined in the Project Operational Manual);

(ii) any Sub-projects affecting international waterways, natural habitats, disputed areas or indigenous peoples;
(iii) any Sub-projects involving the conversion or degradation of forest areas;

(iv) any Sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas;

(v) any Sub-projects involving the construction or rehabilitation of dams; and

(vi) any Sub-projects that would be classified as 'Category A' in accordance with the Bank's policies and procedures.

(c) Ensure that no Eligible Beneficiary, as applicable, shall receive Sub-loans for an aggregate amount greater than fifteen percent (15%) of the FI Loan from the same PFI or Selected MFI, except as approved in writing by the Bank.

F. Sub-loan Agreements

1. The Project Implementing Entity shall ensure that each Sub-loan Agreement between a PFI and an Eligible Beneficiary or MFI, or between a Selected MFI and an Eligible Beneficiary, as applicable, shall be entered into on the terms and conditions set forth in the Project Operational Manual and eligibility criteria and procedures acceptable to the Bank, and that the PFI or Selected MFI shall monitor compliance by each Eligible Beneficiary or MFI, as applicable, with the terms and conditions of each Sub-loan Agreement; and shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Borrower, the Bank and the Project Implementing Entity and to accomplish the purposes of the Loan. The Borrower shall further cause the Project Implementing Entity to ensure that each Sub-loan Agreement shall include the following:

(a) The Sub-loan may be denominated and repayable in Jordanian Dinars or foreign currency.

(b) The PFI or selected MFI shall obtain rights adequate to protect its interests and those of the Borrower, the Bank and the Project Implementing Entity, including the right to:

(i) suspend or terminate the right of the Eligible Beneficiary or MFI, as applicable, to use the proceeds of the Sub-loan, or declare to be immediately due and payable or obtain a refund of all or any part of the amount of the Sub-loan then withdrawn, upon the Eligible Beneficiary's or MFI's failure to perform any of its obligations under the Sub-loan Agreement; and

(ii) require each Eligible Beneficiary to:

(A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial,
managerial, environmental and social standards and practices 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;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;

(E) (1) maintain a financial management system and prepare financial statements in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and

(2) at the Bank’s or the Borrower’s or the Project Implementing Entity’s reasonable request, 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 Borrower, the Bank and the Project Implementing Entity;

(F) enable the Borrower, the Bank, the Project Implementing Entity and the PFI or Selected MFI to inspect the Sub-project, its operation and any relevant records and documents; and

(G) prepare and furnish to the Borrower, the Bank, the Project Implementing Entity and the PFI or Selected MFI, as applicable, all such information as the Borrower, the Bank, the Project Implementing Entity, the PFI, or the Selected MFI, as applicable, shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall ensure that, notwithstanding the foregoing, for purposes of a Sub-loan to a MFI, the PFI shall ensure that the MFI shall: (a) screen and select Eligible Beneficiaries; and (b) make available the proceeds of the Sub-loan to Eligible Beneficiaries in accordance with the Project Operational Manual and on terms and conditions set forth in this Agreement.

3. Except as the Borrower and the Bank shall otherwise agree, no PFI or Selected MFI shall assign, amend, abrogate or waive any Sub-loan Agreement or any of its provisions.
Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports 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 (1) calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity 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 Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity 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 (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

3. The Project Implementing Entity shall maintain at all times during Project implementation, an external auditor whose qualifications, experience and terms of reference shall be acceptable to the Bank.

4. Without limitation on the provisions of Section I D of this Schedule, the Project Implementing Entity shall ensure that each PFI and Selected MFI maintains a financial management system and prepares 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 PFI or Selected MFI, as applicable, including the operations, resources and expenditures related to the Project.

5. Without limitation on the provisions of Section I D of this Schedule, the Project Implementing Entity shall ensure that each PFI and Selected MFI has 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 (1) fiscal year of the PFI or Selected MFI. The PFI or Selected MFI, as applicable, shall ensure that the audited financial statements for each period shall be: (a) furnished to the Project Implementing Entity not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
6. Without limitation on the provisions of Section I D of this Schedule, the Project Implementing Entity shall ensure that each PFI and Selected MFI prepares and furnishes to the Project Implementing Entity not later than thirty (30) days after the end of each calendar quarter, interim unaudited financial reports for all Sub-loans which are part of its portfolio, covering the quarter, in form and substance satisfactory to the Bank, for incorporation in the interim unaudited financial reports for the Project referred to in paragraph 3 of Section II.B.2 of the Loan Agreement.

Section III. Procurement

All goods, works 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.