

CONFORMED COPY

LOAN NUMBER 4071 JO

Loan Agreement

(Housing Finance and Urban Sector Reform Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 4, 1996

LOAN NUMBER 4071 JO

LOAN AGREEMENT

AGREEMENT, dated September 4, 1996, between THE HASHEMITE KINGDOM OF JORDAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Bank has received a letter, dated June 25, 1996, from the Borrower describing a program (the "Program") of objectives, policies and actions designed to enhance its housing finance system and to increase the role of the private sector in developing land and housing for lower income households;

(C) Part A of the Project will be carried out by the Secondary Mortgage Facility ("SMF") with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the SMF a portion of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and SMF;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements" of the Bank, dated May 30, 1995 (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Articles of Association" means the Articles of Association of SMF dated June 5, 1996, as amended to the date of this Agreement;

(b) "Beneficiary" means a household to which a PFI has made or proposes to make a Mortgage Loan for financing of the cost of purchase or construction of a new housing unit or renovation of an existing unit;

(c) "HUDC" means the Borrower's Housing and Urban Development Corporation, established and operating pursuant to Law No. 28 dated April 1992;

(d) "MPWH" means the Borrower's Ministry of Public Works and Housing, or any successor thereof;

(e) "Participation Agreement" means an agreement to be entered into between the SMF and each PFI (as such term is hereinafter defined) pursuant to Section 2.02 (a) of the Project Agreement;

(f) "PFI" means any participating financial institution which meets the eligibility criteria set forth in Schedule 2 to the Project Agreement and has been designated by the SMF as a mortgage originating and servicing institution;

(g) "Privately Owned Entity" means an enterprise in which the majority of the outstanding voting stock or other proprietary interest is not owned or controlled by the Borrower or any of its agencies or by any entity owned or controlled by the Borrower or any of its agencies;

(h) "Project Agreement" means the agreement between the Bank and the SMF of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(i) "SMF" means the Secondary Mortgage Facility, a financial institution organized and existing in the territory of the Borrower pursuant to the Companies Law No. 1 of 1989 for the purpose of providing a source of medium and long-term finance for housing;

(j) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(k) "Mortgage Loan" means a loan made or proposed to be made by a PFI to a Beneficiary in part out of the proceeds of the Loan secured by a lien upon residential housing and which meets the eligibility criteria set forth in Schedule 3 to the Project Agreement; and

(l) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SMF pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement,

an amount equal to twenty million Dollars (\$20,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) payments made (or, if the Bank shall so agree, to be made) by PFIs under Mortgage Loans in respect of which the withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A (2) and B of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Part A and Part B of the Project, open and maintain in U.S. Dollars two special deposit accounts in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting

the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall take all action necessary or appropriate to create the enabling environment for the SMF to perform its obligations set forth in the Project Agreement, and shall not take any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall relend the proceeds of the Loan allocated from time to time to Categories (1), (2) and (3) of the table set forth in Paragraph 1 of Schedule 1 to this Agreement to the SMF under a subsidiary loan agreement to be entered into between the Borrower and the SMF, under terms and conditions which shall have been approved by the Bank and which shall include the terms and conditions set forth in Schedule 7 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and

9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by the SMF pursuant to Section 2.03 of the Project Agreement.

Section 3.04 For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to

whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) the SMF shall have failed to perform any of its obligations under the Project Agreement;

(c) as a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that SMF will be able to perform its obligations under the Project Agreement;

(d) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SMF or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the SMF.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by the SMF, and is legally binding upon the SMF in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SMF and is legally binding upon the Borrower and the SMF in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Minister of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of

the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Planning
P. O. Box 555
Amman
The Hashemite Kingdom of Jordan

Cable address:

Ministry of Planning
Amman

Telex:

21319JO

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, and Amman, Jordan as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN

By /s/ Fayez Tarawneh

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inder Sud

Acting Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Mortgage Loans under	19,000,000	95% of amounts

	Part A (1) of the Project		paid by PFIs under Mortgage Loans until \$4,000,000 has been disbursed; 75% of amounts so paid until an additional \$6,000,000 has been disbursed; and 60% of amounts so paid thereafter
(2)	Software and Equipment under Part A (2) of the Project	100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(3)	Consultants' Services under Part A (2) of the Project	300,000	100% of foreign expenditures and 95% of local expenditures
(4)	Consultants' Services under Part B of the Project	300,000	100% of foreign expenditures and 95% of local expenditures
(5)	Unallocated	300,000	
	TOTAL	20,000,000	=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an amount not exceeding the equivalent of \$100,000 on account of payments made for expenditures under Category (2); in an amount not exceeding the equivalent of \$50,000 on account of payments made for expenditures under Category (3); and in an amount not exceeding the equivalent of \$50,000 on account of payments made for expenditures under Category (4) may be made for expenditures before that date but after August 1, 1995.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure: (a) for expenditures for goods under contracts costing less than \$100,000 equivalent; (b) for expenditures for services under contracts for the employment of consulting firms costing less than \$100,000 equivalent; (c) for expenditures for services under contracts for the employment of individuals costing less than \$50,000 equivalent; or (d) for payments made by PFIs under Mortgage Loans, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower in promoting medium and long-term market-based financial flows into the

mortgage market by providing PFIs with a source of liquidity for their medium and long-term lending for mortgages; (b) to facilitate competition in market-based mortgage lending; and (c) to improve the enabling environment for private sector development of land and housing production.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A

1. Provision by the SMF of medium and long-term financing to PFIs for Mortgage Loans on owner-occupied and rental residential housing which satisfies the requirements of Schedule 3 to the Project Agreement.

2. Carrying out of a program to improve the institutional capabilities of the SMF to provide medium and long-term financing for the housing sector through staff training, overseas visits, introduction of a management information system, equipment, and provision of legal and financial services to develop the SMF's operating procedures.

Part B

1. Carrying out of a program of regulatory reform in the housing sector to increase development of land and housing by the private sector for low and moderate income households through: (i) granting full rights to the private sector to adopt and use the more affordable plot sizes and building standards developed and used by HUDC; (ii) increasing the availability of land zoned for small plot sizes; and (iii) revising urban planning, land use and building regulations to promote more efficient use of land and reduce construction costs.

2. Carrying out of a program to transform HUDC from a public sector producer of serviced land to a facilitator and promoter of private sector development of land and housing for low and moderate income households.

* * *

The Project is expected to be completed by September 30, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)
January 15, 2002	430,000
July 15, 2002	440,000
January 15, 2003	455,000
July 15, 2003	465,000
January 4, 2004	480,000
July 15, 2004	495,000
January 15, 2005	510,000
July 15, 2005	525,000
January 15, 2006	540,000
July 15, 2006	555,000
January 15, 2007	570,000
July 15, 2007	585,000
January 15, 2008	605,000
July 15, 2008	620,000
January 15, 2009	640,000
July 15, 2009	655,000
January 15, 2010	675,000
July 15, 2010	695,000
January 15, 2011	715,000
July 15, 2011	735,000
January 15, 2012	755,000
July 15, 2012	780,000

January 15, 2013	800,000
July 15, 2013	825,000
January 15, 2014	845,000
July 15, 2014	870,000
January 15, 2015	895,000
July 15, 2015	925,000
January 15, 2016	950,000
July 15, 2016	965,000

SCHEDULE 4

Procurement and Consultants' Services for Part B of the Project

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: Procurement Procedures

International Shopping

Goods shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to

cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. (a) For the purpose of ensuring the proper coordination of the Project and implementation of the Program, the Borrower shall continue to maintain the Inter-Ministerial Steering Committee, chaired by the Minister of Public Works and Housing and with representation from the Ministries of Planning; Finance; Industry and Trade; Municipalities, Rural Affairs and the Environment; Agriculture; Administrative Development; the Central Bank; and HUDC.

(b) The functions of said Steering Committee shall include, inter alia, the execution of the institutional and regulatory reforms described in the Program, and responsibility for investigation and recommendation of solutions to issues arising in the course of carrying out the Project.

2. (a) For the purpose of ensuring the proper supervision of the execution of Part A of the Project, the Central Bank of Jordan shall establish and maintain a Project Implementation Unit with the responsibility for preparation of the reports referred to in Section 9.07 of the General Conditions, and in Paragraph 8 of this Schedule.

(b) For the purpose of ensuring the proper supervision of the execution of Part B of the Project, the Borrower shall establish and maintain a Project Implementation Unit within HUDC with the responsibility for preparation of the reports referred to in Section 9.07 of the General Conditions, and in Paragraph 8 of this Schedule.

3. The Borrower shall, by December 31, 1996, extend to the private sector, rights and privileges in land and housing development similar to those of HUDC.

4. The Borrower shall cause HUDC to:

(a) establish by September 30, 1996 and thereafter maintain the organizational unit dedicated to facilitate private sector development of land and housing for lower income households;

(b) purchase or acquire no more than an aggregate of 50 hectares of additional land for development purposes except as approved by the Minister of the MPWH;

(c) by July 31, 1998, enhance its cost allocation systems, satisfactory to the Bank, for each line of business, including production activities, mortgage portfolio operations, land bank, rental real estate holdings, policy formulation and monitoring of land and housing markets, and private sector development; and establish budgeting and financial management systems to ensure full coverage of all assets and liabilities; and

(d) by July 31, 1998, complete, under terms of reference agreed with the Bank, a comprehensive study of land use and urban planning management regulations.

5. The Borrower shall cause HUDC to attain the following targets for the development of land for low income housing by Privately Owned Entities, including, if required to meet such targets, the reallocation of development rights on HUDC sites through auction or other method satisfactory to the Bank: (i) in 1996, the greater of

220 housing plots or 20 percent of total land plots for which contracts have been signed during such year; (ii) in 1997, the greater of 400 housing plots or 33 percent of total land plots for which contracts have been signed during such year; (iii) in 1998, the greater of 850 housing plots or 55 percent of total land plots for which contracts have been signed during such year; (iv) in 1999, the greater of 1100 housing plots or 68 percent of total land plots for which contracts have been signed during such year; and (v) in 2000, the greater of 1250 housing plots or 75 percent of total land plots for which contracts have been signed during such year. If, for any year, the target for the minimum number of plots to be developed by Privately Owned Entities has not been attained, the target for the following year will be increased by the amount of such shortfall.

6. The Borrower shall present to its Parliament, by December 31, 1998, proposed legislation, which the Bank agrees is sufficient, to require zoning for land use to be more responsive to market needs and to improve the formulation of housing policy and the implementation thereof.

7. (a) The Borrower shall ensure that: (i) the SMF's bonds are exempted from limits imposed by the Company Law upon the issuance of corporate debt; (ii) income derived from SMF bonds is exempted from taxation; (iii) the SMF's bonds are eligible to serve as liquidity reserve holdings of banks and would be risk-weighted at 20% for the purpose of calculating capital adequacy ratios of a given bank which holds the SMF's bonds; and (iv) the SMF's loans to financial institutions are treated as interbank lending for regulatory purposes.

(b) The Borrower shall ensure, by December 31, 1996, that streamlined procedures, satisfactory to the Bank, for the registration and transfer of liens shall apply to the SMF.

8. Without limitation or restriction upon the provisions of Sections 9.01 and 9.07 (a) of the General Conditions, the Borrower shall furnish the following reports, of such scope and in such detail as the Bank may reasonably request:

(a) within one month after the end of each reporting period, quarterly reports on the progress achieved in the execution of the Project, in accordance with indicators agreed upon with the Central Bank of Jordan and the Bank, with respect to Part A of the Project, and in accordance with indicators agreed upon with HUDC and the Bank, with respect to Part B of the Project;

(b) on or about June 1, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by July 1, 1998, or such later date as the Bank shall request, the report referred to in subparagraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means with respect to Part A of the Project, Categories (1), (2) and (3) and with respect to Part B of the Project, Category (4), all as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means with respect to Part

A of the Project, expenditures: (i) in respect of payments made by PFIs for Mortgage Loans under Part A (1) of the Project; and (ii) in respect of the reasonable cost of goods and services required for Part A (2) of the Project; and with respect to Part B of the Project, expenditures in respect of the reasonable cost of services required for Part B of the Project, all to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(c) the term "Authorized Allocation" means with respect to the special account to be established under Part A of the Project an amount equivalent to \$2,000,000 and with respect to the special account to be established under Part B of the Project, an amount equivalent to \$50,000, to be withdrawn from the Loan Account and deposited in such Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the respective Authorized Allocations and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

(a) For withdrawals of an Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of such Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Bank requests for deposits into the Special Accounts at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Accounts such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Accounts for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Accounts, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Accounts:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this

Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Accounts (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Accounts shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Accounts will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 7

Terms and Conditions of the Subsidiary Loan Agreement

1. The principal terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 3.01 (c) to this Agreement.

2. The principal amount of the Subsidiary Loan shall be the equivalent in Jordanian Dinars (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out, on account of: (i) the Mortgage Loans under Part A (1) of the Project; and (ii) the goods and services under Part A (2) of the Project, to be financed out of the proceeds of the Loan.

3. The Subsidiary Loan shall be charged interest on the principal amount thereof withdrawn and outstanding from time to time at a market rate of interest. The methodology for calculating the market rate in effect from time to time will be agreed between the Borrower and the Bank.

4. The SMF shall repay the principal amount of the Subsidiary Loan in accordance with an amortization schedule similar to that for the Loan set forth in Schedule 3 hereto. Debt service on the Subsidiary Loan shall be subordinated to payments of the SMF on its outstanding bonds.

5. The Subsidiary Financing Agreement shall contain provisions pursuant to which the SMF shall undertake to: (i) enter into Participation Agreements with PFIs on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement; and (ii) maintain procedures, records and accounts adequate to monitor and record the progress of Part A of the Project.

6. The Borrower shall have the right to:

- (i) suspend the right of the SMF to disbursements under the Subsidiary Loan upon failure by the SMF to perform its obligations under the Project Agreement and the Subsidiary Loan Agreement; and
- (ii) terminate the right of the SMF to the use of the proceeds of the Subsidiary Loan if the other obligations of the SMF shall have become due and payable prior to the agreed maturity thereof.

7. At its option, the Borrower may decide to make a contribution to capital of the SMF for expenditures under Categories (2) and (3) of the table set forth in Paragraph 1 of Schedule 1 to the Loan Agreement.

