

**LOAN AGREEMENT BETWEEN
HASHEMITE KINGDOM OF JORDAN AND
WORLD BANK FOR RECONSTRUCTION AND DEVELOPMENT
ADDITIONAL FINANCING (MICRO, SMALL, AND MEDIUM ENTERPRISE
DEVELOPMENT FOR INCLUSIVE GROWTH PROJECT)**

PROJECT FINANCIAL STATEMENTS

31 DECEMBER 2021



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Independent Auditor's Report

Loan Agreement Between Hashemite Kingdom of Jordan and World Bank for Reconstruction and Development additional financing (Micro, Small, and Medium Enterprise Development for Inclusive Growth Project) Amman - Jordan

Opinion

We have audited the accompanying project's statement of cash receipts and cash disbursements (the statement) of the Loan Agreement Between Hashemite Kingdom of Jordan and World Bank for Reconstruction and Development additional financing (Micro, Small, and Medium Enterprise Development for Inclusive Growth Project), which comprise the statement of cash receipts and cash disbursements for the year ended 31 December 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the project's statement of cash receipts and cash disbursements for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the accounting policies set out in Note (2).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction of Use

We draw attention to note (2) to the statement which describes the basis of accounting. The statement is prepared to assist the Project in complying with the financial reporting requirements of the Project and the regulatory requirements. As a result, the statement may not be suitable for other purposes. Our report is intended solely for the information and use of Management and World Bank for Reconstruction and Development and should not be used by parties other than those specific parties. Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies set out in Note (2), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Amman – Jordan
22 August 2022

ERNST & YOUNG
Amman - Jordan

**LOAN AGREEMENT BETWEEN HASHEMITE KINGDOM OF JORDAN AND WORLD BANK FOR
RECONSTRUCTION AND DEVELOPMENT ADDITIONAL FINANCING (MICRO, SMALL AND MEDIUM
ENTERPRISE DEVELOPMENT FOR INCLUSIVE GROWTH PROJECT)
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021	2020	Since inception on 17 April 2015
<u>Cash Receipts</u>	USD	USD	USD
Funds received from the World Bank	-	-	49,875,000
Interest received from banks			
Cairo Amman Bank	691,377	479,707	1,936,154
Jordan Kuwait Bank	786,400	545,639	2,151,403
BLOM Bank	573,337	397,807	1,605,684
Arab Bank	607,063	421,207	1,623,703
Ahli Bank	388,689	269,690	1,088,730
Capital Bank	685,861	456,307	1,869,944
Housing Bank for Trade and Finance	670,278	465,068	1,830,531
Arab International Islamic Bank	958,176	532,303	2,074,357
Jordan Islamic Bank	1,216,905	253,097	1,608,694
Transfer from the main loan	-	-	16,757
Total Receipts as of 31 December	6,578,086	3,820,825	65,680,957
<u>Cash Disbursements</u>			
Principal paid to the World Bank	2,000,000	1,000,000	3,000,000
Interest paid to the World Bank	730,213	1,342,722	7,339,239
Unutilized balance refunded to the World Bank	788,962	-	788,962
Loans distributed to banks			
Cairo Amman Bank	-	-	5,782,793
Jordan Kuwait Bank	-	-	6,577,574
BLOM Bank	-	-	4,795,487
Arab Bank	-	-	5,077,574
Ahli Bank	-	-	3,251,058
Capital Bank	-	-	5,500,705
Housing Bank for Trade and Finance	-	-	5,606,312
Arab International Islamic Bank	-	-	9,052,186
Jordan Islamic Bank	-	-	4,231,311
Other Operational Disbursements			
Bank Commissions and other disbursements	3,944	1,963	7,548
Total Disbursements	3,523,119	2,344,685	61,010,749
Net surplus as of 31 December	3,054,967	1,476,140	4,670,208

The attached notes from 1 to 2 form part of these project financial statements

**LOAN AGREEMENT BETWEEN HASHEMITE KINGDOM OF JORDAN AND WORLD BANK FOR RECONSTRUCTION AND DEVELOPMENT ADDITIONAL FINANCING (MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT FOR INCLUSIVE GROWTH PROJECT)
NOTES TO THE PROJECT STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(1) GENERAL

On 17 April 2015, The World Bank for Reconstruction and Development agreed to lend the Hashemite Kingdom of Jordan the amount of fifty million United States Dollars “USD 50,000,000” to contribute to the improvement of access to finance for Micro, Small and Medium enterprises and to the Micro Finance Institutions in the Hashemite Kingdom of Jordan and cash received on February 2016 and March 2017, the loan matures on 15 March 2045.

The World Bank for Reconstruction and Development signed a project agreement with the Central Bank of Jordan as a project implementing entity in connection with the loan agreement of same date between the Hashemite Kingdom of Jordan and the World Bank for Reconstruction and Development.

As the representative of the Hashemite Kingdom of Jordan is the Minister in charge of Planning and International Cooperation, the Ministry of Planning and International Cooperation signed a subsidiary agreement with the Central Bank of Jordan to lend the loan received from the World Bank amounted to USD 50,000,000.

The principal payments dates on each 15 March and 15 September beginning 15 September 2020 through 15 March 2045, details as follows:

	USD
2022	1,966,427
2023	1,966,427
2024	1,966,427
2025	1,966,427
Thereafter	38,345,330
	<u>46,211,038</u>

The front-end fee payable by the Hashemite Kingdom of Jordan is equal to 0.25% of the loan amount, details as follows:

	USD
Loan amount	50,000,000
Front-end fee	<u>(125,000)</u>
Available amount to lend	<u>49,875,000</u>
Available amount to lend	49,875,000
Disbursed amount to the operating Banks in Jordan	(49,086,038)
Unutilized balance refunded to the World Bank*	<u>(788,962)</u>
Net cash available to be withdrawn by the banks	<u><u>-</u></u>

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NOTES TO THE PROJECT STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(1) GENERAL (CONTINUED)

The Central Bank of Jordan signed subsidiary loan agreements with nine operating banks in Jordan to benefit from the proceeds of the World Bank for Reconstruction and Development loan by which the available amount to lend is USD 49,875,000 out of the loan amount of USD 50,000,000 was channeled to banks to re-lend the funding to Micro, Small, and Medium enterprises.

The nine operating banks are detailed as follows:

	Amount of loan <hr/> USD	Disbursed amount <hr/> USD
Cairo Amman Bank	5,782,793	5,782,793
Jordan Kuwait Bank	6,577,574	6,577,574
BLOM Bank	4,795,487	4,795,487
Arab Bank	5,077,574	5,077,574
Ahli Bank	3,251,058	3,251,058
Capital Bank*	5,500,705	5,472,496
Housing Bank for Trade and Finance	5,606,312	5,606,312
Arab International Islamic Bank	9,052,186	9,052,186
Jordan Islamic Bank*	4,231,311	3,470,558
	<hr/> 49,875,000	<hr/> 49,086,038

These loans are repayable over a period not exceeding fifteen years from the date of disbursement with a grace period of five years. These facilities bear semi-annual LIBOR USD six months interest rate plus 1.85%.

* An amount of USD 28,209 was refunded from Capital Bank and USD 760,753 from Jordan Islamic Bank, representing the value of the unutilized amounts.

(2) SIGNIFICANT ACCOUNTING POLICIES

The financial information for the loan agreement has been prepared in accordance with accounting policies described below:

Receipts, disbursements and closing account

The procedures necessary for managing, maintaining and setting the policies for receipts, disbursements, bookkeeping and the closing account and other related matters, are organized by the Central Bank of Jordan.

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NOTES TO THE PROJECT STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

(2) GENERAL POLICIES (CONTINUED)

Functional currency

The project financial statements has been presented in United States Dollars “USD” which is the functional currency of the loan agreement.

Receipts

The receipts of the grant agreement consist of the fund received from the World Bank for Reconstruction and Development. The cash receipts are recognized when receiving cash and recorded under the receipts item.

Payments

Cash payments are paid on the eligible expenditures as per the grant agreement. The disbursements are recognized when they are paid, and then recorded in the books.