



**LOAN NUMBER 8982-JO**

# **Loan Agreement**

**(Second Equitable Growth and Job Creation Development Policy Loan)**

**between**

**THE HASHEMITE KINGDOM OF JORDAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**



**LOAN AGREEMENT**

AGREEMENT dated as of the Signature Date between THE HASHEMITE KINGDOM OF JORDAN (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

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 to support the Borrower’s set foundations to: (i) reduce business costs and improve market accessibility and encourage new investment; (ii) create more flexible and integrated labor markets and provide better and more efficient social assistance; and (iii) improve fiscal sustainability and take more informed public sector decisions regarding energy sector, sustainability and efficiency, and risk, the Borrower has requested the Bank to extend a loan to assist in the financing of the Program;

(B) The Bank has decided to provide this financing on the basis of, *inter alia*:(i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower’s maintenance of an adequate macroeconomic policy framework.

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — LOAN**

- 2.01. The Bank agrees to lend to the Borrower a Loan in the amount of one billion four hundred fifty million Dollars (\$1,450,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”).
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

## **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
  - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;
  - (b) prior to such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its minister responsible for planning and international cooperation.
- 6.02. For purposes of Section 10.01 of the General Conditions:
  - (a) the Borrower's address is:

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

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
+962-6-464 9341	mop@mop.gov.jo

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	tmeyer1@worldbank.org

AGREED as of the Signature Date.

THE HASHEMITE KINGDOM OF JORDAN

By:

*Mohamad Al-Ississ*

\_\_\_\_\_  
Authorized Representative

Name: Mohamad Al-Ississ

Title: Minister of Planning and International Co

Date: 05-Jun-2019

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By:

*Saroj Kumar Jha*

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Authorized Representative

Name: Saroj Kumar Jha

Title: Country Director

Date: 04-Jun-2019

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### Section I. Actions under the Program

A. **Actions Taken Under the Program.** The actions taken by the Borrower under the Program include the following:

Pillar 1: Reducing business costs and improving market accessibility

1. With the view to (a) open sectors important in Jordan's key value chains, the COM has amended, through Investment Bylaw No. 80, published in the Official Gazette No. 5573 on May 16, 2019, Non-Jordanian Investments Bylaw No. 77-2016 to: (i) fully liberalize (100 percent foreign ownership allowed) 22 of 51 activities and services; and (ii) provide that foreign ownership in any activity or sector not on the negative list (as published in the Non-Jordanian Investment Bylaw) is permitted without restriction; and (b) modernize and simplify the licensing requirements for businesses, the COM has submitted to the Parliament a law abolishing Crafts and Industries Law (1953).
2. The COM has enacted a consolidated legal framework for public procurement (applicable also to SOEs) through the issuance of a new Bylaw No. 28, as published in the Official Gazette on May 1, 2019 (containing provisions for framework agreements, e-Government procurement, independent review of bidder complaints, and establishment of an oversight and policy unit) consistent with international good practices.
3. The COM has adopted a decision No. 11/3/1/127 dated January 1, 2019, authorizing the Ministry of Information and Communications Technology to enter into agreements with private sector to lease excess capacity of the national broadband network, based on a PPP model.

Pillar 2: Creating more flexible and integrated labor markets and providing better and more efficient social assistance

4. The MoL has through its decisions (a) No. 2/2018 dated December 30, 2018, amended the 2010 Decision for Article 69 of the Labor Code by removing all restrictions on the types of jobs and hours women are allowed to work; and (b) No. 3/2018 dated December 30, 2018, issued instructions allowing high- skilled foreigners to work in occupations and sectors previously restricted to them.
5. The COM has approved through Decision No. 56/10/6/1440 dated January 16, 2019, the digitization of payments to new NAF beneficiaries through e-wallet and bank accounts.

Pillar 3: Improving fiscal sustainability and taking more informed decisions regarding risk

6. The Borrower raised domestic revenues in the 2019 Budget Law through (a) implementation of income tax reform; (b) revisions to the general sales tax and its administration; and (c) increases in customs revenues and nontax revenue.
7. The COM approved the Climate Change Bylaw No. 79, published in the Official Gazette No. 5573 on May 16, 2019, to continue low-carbon transition and climate resilient growth of the economy.

**B. Actions to be Taken Under the Program.** The actions taken by the Borrower under the Program include the following:

Pillar 1: Reducing business costs and improving market accessibility

8. The COM approved an investor grievance mechanism that enables the Jordan Investment Commission to identify, track, manage and solve grievances arising between investors and public agencies within specified time periods.

Pillar 2: Creating more flexible and integrated labor markets and providing better and more efficient social assistance

9. The COM approved a targeting mechanism for delivering electricity support benefits that will help in providing social protection to the poor.

Pillar 3: Improving fiscal sustainability and taking more informed decisions regarding risk

10. The COM has approved the “Roadmap for Financial Sustainability of the Electricity Sector,” and EMRC has conducted Quarterly Tariff Reviews at the end of Quarter-2 and Quarter-3 of 2019 consistent with the financial model adopted by the EMRC.
11. The COM has adopted the “Electricity Bill Recovery Mechanism” to achieve reduction in distribution companies’ receivables from electricity bills of the public sector.
12. The COM has approved the NEPCO’s debt optimization implementation plan.
13. MEMR submitted to the COM the results of a review of the power purchase agreements and other related agreements for the significant power generation projects.



14. The COM has submitted revised PPP Law to the Parliament (a) reflecting modifications provided by Cabinet Decision No. 56/10/6/17135 dated April 18, 2019; and (b) reinforcing provisions on government controls of fiscal risks and contingent liabilities as contained in PPP Law No. 31 (2014).

**Section II. Availability of Loan Proceeds**

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in two withdrawal tranches, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Loan Allocated (expressed in US\$)</b>
(1)(a) First Withdrawal Tranche-A	600,000,000
(1)(b) First Withdrawal Tranche-B	125,000,000
(2)(a) Second Withdrawal Tranche-A	596,375,000
(2)(b) Second Withdrawal Tranche- B	125,000,000
(3) Front-end Fee	3,625,000
<b>TOTAL AMOUNT</b>	<b>1,450,000,000</b>

**C. Withdrawal Tranche Release Conditions**

1. No withdrawal shall be made of the First Withdrawal Tranche-A and First Withdrawal Tranche-B unless the Bank is satisfied with: (a) the Program being carried out by the Borrower; and (b) the adequacy of the Borrower's macroeconomic policy framework.
2. No withdrawal shall be made of the Second Withdrawal Tranche-A and Second Withdrawal Tranche -B unless the Bank is satisfied, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement based on evidence satisfactory to the Bank:

- (a) with the progress achieved by the Borrower in carrying out the Program;
- (b) that the macroeconomic policy framework of the Borrower is adequate; and
- (c) that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Bank is not so satisfied, it may give notice to the Borrower to that effect and, if within ninety (90) days after the notice, the Borrower has not taken steps satisfactory to the Bank, with respect to paragraphs (a), (b) and (c) above, then the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.

**D. KSA Guarantee**

The Borrower acknowledges and confirms that the Loan is guaranteed by a KSA Guarantee Agreement, pursuant to which the KSA Guarantor will guarantee certain obligations of the Borrower under this Agreement, subject to the terms and conditions set forth therein. The Borrower understands and agrees that, in the event of any payment to the Bank by the KSA Guarantor under the KSA Guarantee Agreement as a result of any non-payment by the Borrower under this Agreement, the KSA Guarantor may have certain rights of subrogation and the Bank may assign to the KSA Guarantor any right to receive repayment from the Borrower under this Agreement, all subject to the terms and conditions of the KSA Guarantee Agreement.

**E. UK Guarantee**

The Borrower acknowledges and confirms that the Loan is guaranteed by a UK Guarantee Agreement, pursuant to which the UK Guarantor will guarantee certain obligations of the Borrower under this Agreement, subject to the terms and conditions set forth therein. The Borrower understands and agrees that, in the event of any payment to the Bank by the UK Guarantor under the UK Guarantee Agreement as a result of any non-payment by the Borrower under this Agreement, the UK Guarantor may have certain rights of subrogation and the Bank may assign to the UK Guarantor any right to receive repayment from the Borrower under this Agreement, all subject to the terms and conditions of the UK Guarantee Agreement.

**F. Deposit of Loan Amounts**

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account

referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Jordanian Dinar equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.

**G. Closing Date.** The Closing Date is December 31, 2021.

## **SCHEDULE 2**

### **Disbursement-Linked Amortization Repayment Schedule – Level Repayment**

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each May 15 and November 15, the first installment to be payable on the ninth (9th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the sixty eight (68th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one point sixty-seven (1.67) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after May 15, 2054, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

## APPENDIX

### Section I. Definitions

1. “Council of Ministers” or the “COM” means the Borrower’s Council of Ministers.
2. “Crafts and Industries Law” means the Borrower’s Act of Crafts and Industries No. (16) for the year 1953.
3. “EMRC” means the Borrower’s Energy and Mineral Resources Regulatory Commission established pursuant to Law No. 17 of the year 2014, published in the Official Gazette on April 30, 2014.
4. “First Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018.
6. “Jordan Investment Commission” means Borrower’s Investment Commission, established by Law 30 (2014) to promote investment into Jordan.
7. “KSA Guarantee Agreement” means the guarantee agreement executed between the Bank and the KSA Guarantor in a principal amount of two hundred million dollars (US\$200,000,000), in respect of a portion of the Loan, together with interest thereon, as such guarantee agreement may be amended from time to time, and such term includes all appendices, schedules and agreements supplemental to the KSA Guarantee Agreement.
8. “KSA Guarantor” means the Kingdom of Saudi Arabia.
9. “MEMR” means the Borrower’s Ministry of Energy and Mineral Resources.
10. “MoF” means the Borrower’s Ministry of Finance.
11. “MoL” means the Borrower’s Ministry of Labor.
12. “MoPIC” means the Borrower’s Ministry of Planning and International Cooperation.
13. “NAF” means the Borrower’s National Aid Fund, established pursuant to Law No. (36) for the year 1986, published in the Official Gazette on January 10, 1986.

14. “NEPCO” means Borrower’s National Electricity Power Company, established by virtue of Law No. 10 (2010), or its legal successor.
15. “On-Bill Payment Assistance” means a payment assistance program wherein a fixed credit amount is reflected in the electricity bills of eligible households.
16. “PPP Law” means Public Private Sector Partnership Law No. 31 (2014).
17. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated May 16, 2019, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
18. “Second Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
19. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
20. “UK Guarantee Agreement” means the guarantee agreement executed between the Bank and the UK Guarantor in a principal amount of two hundred fifty million dollars (US\$250,000,000), in respect of a portion of the Loan, together with interest thereon, as such guarantee agreement may be amended from time to time, and such term includes all appendices, schedules and agreements supplemental to the UK Guarantee Agreement.
21. “UK Guarantor” means the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development.