

CONFORMED COPY

LOAN NUMBER 4215 JO

Loan Agreement

(Community Infrastructure Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 27, 1997

LOAN NUMBER 4215 JO

LOAN AGREEMENT

AGREEMENT, dated August 27, 1997, between THE HASHEMITE KINGDOM OF JORDAN (the Borrower) and the 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) Part A and Part C (1) of the Project will be carried out by Housing and Urban Development Corporation (HUDC) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the HUDC part of the proceeds of the Loan as provided in this Agreement;

(C) Part B and Part C (2) of the Project will be carried out by Cities and Villages Development Bank (CVDB) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the CVDB part of the proceeds of the Loan as provided in this Agreement;

(D) the Borrower intends to contract from bilateral and multilateral institutions (collectively, the Cofinanciers) loans and grants in an aggregate principal amount equivalent to about eighty million dollars (\$80,000,000) (the Cofinancing Proceeds) to assist in financing the Project on the terms and conditions set forth in agreements to be entered into between the Borrower and the Cofinanciers; 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 respective Project Agreements of even date herewith between the Bank and HUDC and between the Bank and CVDB;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "Community Infrastructure Program" means the Borrower's program to improve the living conditions of the poor through the provision of essential physical and social infrastructure services in areas where there is a concentration of poor households and where basic infrastructure services are below a basic minimum;

(b) "CVDB" means Cities and Villages Development Bank, established pursuant to Law No. 63 of 1985;

(c) "CVDB Policy Statement" means the statement of investment and lending policy approved by the Board of Directors of CVDB on May 9, 1985, as amended to the date of this Agreement, and as the same may be amended from time to time;

(d) "CVDB Project Agreement" means the agreement between the Bank and CVDB 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;

(e) "CVDB Subsidiary Finance Agreement" means the agreement to be entered into between the Borrower and CVDB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the CVDB Subsidiary Finance Agreement;

(f) "Dollars" and "\$" mean United States Dollars;

(g) "HUDC" means Housing and Urban Development Corporation, established pursuant to Law No. 28 dated April 1992;

(h) "HUDC Project Agreement" means the agreement between the Bank and HUDC 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) "HUDC Subsidiary Finance Agreement" means the agreement to be entered into between the Borrower and HUDC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the HUDC Subsidiary Finance Agreement;

(j) "MMRAE" means the Borrower's Ministry of Municipal and Rural Affairs and Environment;

(k) "MOP" means the Borrower's Ministry of Planning;

(l) "Operations Manual" means the manual, dated \_\_\_\_\_ specifying the managerial, financial, administrative, engineering and environmental policies and procedures for the execution of the Project and the eligibility criteria for selection of Subprojects (as hereinafter defined); as the same may be amended from time to time with the agreement of the Bank;

(m) "PMUs" mean the Program Management Units: (i) established in the MOP for implementation of Part C (3) of the Project, and supervision of the implementation of the other Parts of the Project; (ii) established in HUDC for implementation of Parts A and C (1) of the Project; and (iii) established in CVDB for implementation of Parts B and C (2) of the Project, and referred to in Paragraph 3 (a) of Schedule 4 to this Agreement; and "PMU" means any of the aforementioned PMUs;

(n) "Social Productivity Program" means the Borrower's comprehensive program to address the conditions of the poor and the unemployed through: (i) improving the targeting and coverage of social assistance to the poor and unemployed; (ii) upgrading or providing essential physical and social infrastructure to the poor through the Community Infrastructure Program; and (iii) generating employment through the provision of skills training and microenterprise development;

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

(p) "Steering Committee" means the committee headed by the Minister of Planning, and consisting of the Mayor of Greater Amman, the Secretary General of the MOP, the Secretary General of MMRAE, the Director General of HUDC, the General Manager of CVDB, the Secretary General of the Water Authority of Jordan, the Secretary General of the Ministry of Social Development, and the Director General of the Department of Palestinian Affairs, established by Prime Ministerial decree for carrying out the Social Productivity Program; and

(q) "Subproject" means any activity to improve physical or social infrastructure to be financed under Part A or Part B of the Project and approved in accordance with the procedures and the terms and conditions set forth in Section 3.05 of this 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 thirty million Dollars (\$30,000,000).

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 expenditures made (or if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars three separate special deposit accounts (the HUDC Special Account for Parts A

and C (1) of the Project, the CVDB Special Account for Parts B and C (2) of the Project, and the MOP Special Account for Part C (3) of the Project) in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001 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 percent (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 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 semiannually on February 15 and August 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, without any limitation or restriction upon any of its other obligations under this Agreement shall: (i) carry out Part C (3) of the Project through MOP; (ii) with respect to Parts A and C (1) of the Project, cause HUDC to perform in accordance with the provisions of the HUDC Project Agreement all the obligations of HUDC therein set forth; and (iii) with respect to Parts B and C (2) of the Project, cause CVDB to perform in accordance with the provisions of the CVDB Project Agreement all the obligations of CVDB therein set forth, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and environmental practices, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources required for the Project and necessary or appropriate to enable HUDC and CVDB to perform their respective obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of Parts A and C (1) of the Project, the Borrower shall make the proceeds of the Loan allocated from time to time to Categories (1) (a), (2) (a) and (3) (a) of the table in paragraph 1 of Schedule 1 to this Agreement available to HUDC under a Subsidiary Finance Agreement to be entered into between the Borrower and HUDC (the HUDC Subsidiary Finance Agreement) on terms and conditions satisfactory to the Bank.

(c) For the purposes of Part B and C (2) of the Project, the Borrower shall make the proceeds of the Loan allocated from time to time to Categories (1) (b), (2) (b) and (3) (b) of the table in paragraph 1 of Schedule 1 to this Agreement available to CVDB under a Subsidiary Finance Agreement to be entered into between the Borrower and CVDB (the CVDB Subsidiary Finance Agreement) on terms and conditions satisfactory to the Bank.

(d) The Borrower shall exercise its rights under the CVDB Subsidiary Finance Agreement and the HUDC Subsidiary Finance 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, shall not assign, amend, abrogate or waive the CVDB Subsidiary Finance Agreement or the HUDC Subsidiary Finance Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works, and consultants' services required for 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 Borrower and the Bank 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 HUDC and in respect of Part B of the Project shall be carried out by CVDB pursuant to Section 2.04 of the HUDC Project Agreement and the CVDB Project Agreement, respectively.

Section 3.04. (a) For the purpose of ensuring the proper coordination and efficient execution of the Social Productivity Program, the Community Infrastructure Program, and the Project, the Borrower shall continue to maintain the Steering Committee.

(b) For the purpose of ensuring the proper supervision of the execution of the Project, the Borrower shall maintain the PMU within the MOP, with organization, staffing and terms of reference satisfactory to the Bank.

Section 3.05. The Borrower shall require the PMU within MOP to:

- (i) ensure that Subprojects are appraised in accordance with the Operations Manual;
- (ii) ensure that land is acquired for the construction of new buildings under the Project;

- (iii) ensure that easements and rights of way exist for all roads and pipelines to be constructed under Parts A (1) and B of the Project;
- (iv) ensure that only existing roads, footpaths and pipelines are upgraded and rehabilitated under Part A (2) of the Project, and that such roads, footpaths and pipelines are in accordance with planning layouts and circulation plans available at the Department of Palestinian Affairs;
- (v) ensure that Subprojects will not require any involuntary relocation;
- (vi) supervise the preparation of summary environmental assessments, satisfactory to the Bank, identifying any potential adverse environmental effects that might result from proposed Subprojects; and
- (vii) ensure that proposed Subprojects estimated to cost \$700,000 or more are furnished to the Bank for its approval.

Section 3.06. The Borrower shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Bank, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 31st of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 February 15th of each year, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, 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; provided however, that the review to be conducted in 1999 shall be a mid-term review of the Project.

Section 3.07. 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 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 MOP Special Account, the HUDC Special Account and the CVDB Special Account, for each fiscal year

audited, in accordance with consistently applied, by independent auditors appropriate auditing principles 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:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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 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 report of such audit referred to in paragraph (b) of this Section and that the report 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) CVDB shall have failed to perform any of its obligations under the CVDB Project Agreement.

(b) 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 CVDB will be able to perform its obligations under the CVDB Project Agreement.

(c) HUDC shall have failed to perform any of its obligations under the HUDC Project Agreement.

(d) 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 HUDC will be able to perform its obligations under the HUDC Project Agreement.

(e) Law No. 63 of 1985 or Law No. 28 of 1992 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of CVDB or HUDC or their ability to carry out the Project or the ability of CVDB or HUDC to perform any of their obligations under their respective Project Agreement.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CVDB or HUDC or for the suspension of their operations.

(g) The Cofinancing Agreements shall have failed to become effective by July 31, 1998, or such later date as the Bank may agree; provided, however, that the

provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(h) (i) Subject to subparagraph (ii) of this paragraph:  
  
(A) the right of the Borrower to withdraw the Cofinancing Proceeds shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or  
  
(B) any such loan shall have become due and payable prior to the maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) any events specified in paragraphs (a), (c), (e) and (f) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (h) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (h) (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the CVDB Subsidiary Finance Agreement has been executed on behalf of the Borrower and CVDB; and

(b) the HUDC Subsidiary Finance Agreement has been executed on behalf of the Borrower and HUDC.

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 CVDB Project Agreement has been duly authorized or ratified by the Borrower and CVDB, and is legally binding upon the Borrower and CVDB in accordance with its terms;

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

(c) that the CVDB Subsidiary Finance Agreement has been duly authorized or ratified by and is legally binding upon CVDB in accordance with its terms; and

(d) that the HUDC Subsidiary Finance Agreement has been duly authorized or ratified by and is legally binding upon HUDC 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

Representative of the Borrower; Addresses

Section 7.01. 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:	Telex:
Ministry of Planning Amman	21319 JO

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	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, as of the day and year first above written.

THE HASHEMITE KINGDOM OF JORDAN

By /s/ Marwan Muasher

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Inder K. 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) Civil works for:		70%
(a) Subprojects under Part A of the Project	15,000,000	
(b) Subprojects under Part B of the Project	5,000,000	
(2) Equipment and Vehicles:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(a) Under Parts A and C(1) of the Project	1,000,000	
(b) Under Parts B and C(2) of the Project	4,000,000	
(c) Under Part C(3) of the Project	100,000	
(3) Consultants' services and Training:		100%
(a) Under Part C(1) of the Project	300,000	
(b) Under Part C(2) of the Project	300,000	
(c) Under Part C(3) of the Project	1,300,000	
(4) Unallocated	3,000,000	
TOTAL	30,000,000	

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;

(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; provided, however, that if the currency of the Borrower is also that of another country from the territory of which goods or services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) 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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (a) for goods under contracts not exceeding \$150,000 equivalent; (b) for works under contracts not exceeding \$700,000 equivalent; (c) for the employment of consulting firms under contracts not exceeding \$100,000 equivalent; (d) for the employment of individual consultants under contracts not exceeding \$50,000 equivalent; and (e) for training, 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: (i) to improve community infrastructure facilities in squatter settlements, refugee camps, municipalities and villages; and (ii) to strengthen the institutional capacity of HUDC, CVDB, MMRAE, MOP, and local councils to deliver infrastructure services to the poor in an effective, efficient and targeted way.

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: Infrastructure Improvements in Squatter Settlements, Refugee Camps and Adjacent Areas

1. Provision of physical and social infrastructure in squatter settlements and adjacent areas in the central region of the Borrower's territory, including Greater Amman, Zarqa, and Russeifa, including the upgrading and construction of drainage systems, water supply networks, sewage and solid waste disposal systems, roads, bridges, culverts, pedestrian crossings, street lighting, retaining walls, community and youth centers, schools and health facilities, and provision of equipment and vehicles therefor.
2. Provision of physical and social infrastructure in refugee camps in the central region of the Borrower's territory, in Greater Amman, Jerash, Irbid, Zarqa, and Madaba including the upgrading and rehabilitation of drainage systems, water supply networks, sewage and solid waste disposal systems, roads, bridges, culverts, and construction of sewage networks, pedestrian crossings, street lighting, retaining walls, community and youth centers, schools and health facilities and provision of equipment and vehicles therefor.
3. Construction of off-site sewage treatment and disposal facilities for refugee camps and surrounding neighborhoods.

#### Part B: Upgrading Municipal and Village Infrastructure

Provision of physical and social infrastructure in low-income municipalities and villages, including the upgrading and construction of access roads, drainage systems, street lighting, water supply networks, sewage and solid waste disposal systems, bridges, culverts, pedestrian crossings, retaining walls, community and youth centers, schools and health facilities, and provision of equipment and vehicles therefor.

#### Part C: Institutional Support

1. Strengthening the institutional capacity of HUDC's PMU to improve infrastructure facilities in squatter settlements, refugee camps and adjacent areas in an effective, efficient and targeted way through the provision of equipment, technical assistance and training.
2. Strengthening the institutional capacity of CVDB's PMU to improve infrastructure facilities in low-income municipalities and villages in an effective, efficient and targeted way through the provision of equipment, technical assistance and training.
3. (a) Strengthening the institutional capacity of MOP's PMU, as well as local governments and regional engineering offices of the MMRAE, in small scale development activities and for the delivery of infrastructure services to the poor through the provision of equipment, technical assistance and training;  
  
(b) design of pilot Subprojects for development of income-generating opportunities in economically distressed areas; and  
  
(c) carrying out poverty surveys, studies for project preparation, and studies to target beneficiaries.

\* \* \*

The Project is expected to be completed by December 31, 2000

SCHEDULE 3

Amortization Schedule

Payment Due	Payment of Principal Date (expressed in Dollars)*
February 15, 2002	780,000
August 15, 2002	800,000
February 15, 2003	825,000
August 15, 2003	850,000
February 15, 2004	875,000
August 15, 2004	900,000
February 15, 2005	930,000
August 15, 2005	955,000
February 15, 2006	985,000
August 15, 2006	1,015,000
February 15, 2007	1,045,000
August 15, 2007	1,075,000
February 15, 2008	1,110,000
August 15, 2008	1,145,000
February 15, 2009	1,175,000
August 15, 2009	1,210,000
February 15, 2010	1,250,000
August 15, 2010	1,285,000
February 15, 2011	1,325,000
August 15, 2011	1,365,000
February 15, 2012	1,405,000
August 15, 2012	1,450,000
February 15, 2013	1,490,000
August 15, 2013	1,535,000
February 15, 2014	1,580,000
August 15, 2014	1,640,000

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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 and August 1996 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$150,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, may 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.

3. National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement

Planning Prior to the issuance of any invitations 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 and works 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 the first contract for works, each contract for works estimated to cost the equivalent of \$700,000 or more, and all contracts for goods estimated to cost the equivalent of \$150,000 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants under Parts C (1), C (2), C (3) (a), and C (3) (b) estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. Single Source Selection

Services for twinning arrangements to CVDB for program management under Part C (2) of the Project which are estimated to cost less than \$100,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for program implementation under Part C of the Project shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to the first contract for the employment of consulting firms and each contract estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

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

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means, in the case of the HUDC Special Account Categories 1 (a), 2 (a), and 3 (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; in the case of the CVDB Special Account Categories 1 (b), 2 (b) and 3 (b) set forth in the said table; and in the case of the MOP Special Account, Categories 2 (c) and 3 (c);

(b) the term "eligible expenditures" means expenditures in respect of the

reasonable cost of goods and services required for the Project and 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; and

(c) the term "Authorized Allocation" means with respect to the HUDC Special Account an amount equivalent to \$1,700,000; with respect to the CVDB Special Account an amount equivalent to \$1,400,000; and with respect to the MOP Special Account an amount equivalent to \$200,000, to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocations shall be limited to an amount equivalent to \$800,000 each in respect of the HUDC and CVDB Special Accounts until: (i) with respect to the HUDC Special Account, the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000; and (ii) with respect to the CVDB Special Account, the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000.

2. Payments out of the respective Special Account 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows: (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the 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 into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective Special Account 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 respective Special Account 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective 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 respective Special Account, 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 Account:

(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 for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, 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 respective 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 Account: (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 respective Special Account (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 Account 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 Account 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.

