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CONFORMED COPY

LOAN NUMBER 7561 JO

Loan Agreement

(Employer Driven Skills Development Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 8, 2008

LOAN NUMBER 7561 JO

LOAN AGREEMENT

AGREEMENT dated July 8, 2008, between THE HASHEMITE KINGDOM OF JORDAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan 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, on the terms and conditions set forth or referred to in this Agreement, the amount of seven million five hundred thousand United States dollars (US\$7,500,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. On or promptly after the Effectiveness Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of said fees.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Fixed Rate to a Variable Rate, or vice versa.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through MoL, shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following:
- The Development Coordination Unit of MoL has adequate staffing to coordinate and support the implementation of the Project.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower’s Representative is the Minister of Planning and International Cooperation.

5.02. The Borrower's Address is:

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

Facsimile:

962-6-464 9341

5.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

THE HASHEMITE KINGDOM OF JORDAN

By /s/ Suhair Al-Ali

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Daniela Gressani

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower in improving its TVET sector through the harmonization of policies pertaining to the development of said sector and the realignment of such policies with the operational functions of E-TVET, including the development of employer participation in the formulation of said policies and in carrying out institutional development reforms as well as in the design and delivery of a skills development program.

The Project consists of the following four parts:

Part 1: Development of TVET sector and E-TVET Council

Developing the policy, operational and institutional capacity of E-TVET Council and its Secretariat, regarding employment-related planning, implementation and training, with the participation of employers, public and private training providers, and the Training and Employment Fund, as well as other stakeholders, through:

- (a) Establishing the organizational structure and institutional mechanisms for the E-TVET system.
- (b) Research and studies pertaining to the design and delivery of a skills development program.
- (c) Workshops and seminars for the benefit of the members of E-TVET Council, representatives of employers and the business community.
- (d) Public awareness campaigns, piloting and knowledge sharing to promote E-TVET sector.

Part 2: Restructuring of VTC

Developing and implementing an employer-driven model for VTC to deliver efficient and effective business and training services, including improving the financial and governance frameworks for VTC, through:

- (a) Strengthening VTC's governance and institutional frameworks.
- (b) Establishing a business and training model, including centers of such models, for VTC to provide improved services.
- (c) Realigning the organizational structure of VTC as well as building VTC's institutional capacity.

Part 3: Strengthening the Training and Employment Fund

Developing the institutional capacity of the Training and Employment Fund to carry out its functions.

Part 4: Project Management

- (a) Supporting MoL's Development Coordination Unit in the coordination of Project implementation activities as well as in the monitoring and evaluation of Project.
- (b) Provision of assistance to MoL's Departments of Procurement and Finance in the implementation of the Project.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Borrower, through MoL, shall implement the Project in accordance with the provisions of the Project Implementation Plan. Except as the Bank shall otherwise agree, the Borrower, MoL and/or MoL's Development Coordination Unit shall not amend or waive any provision of the Project Implementation Plan, if, in the opinion of the Bank, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the Project objectives.
2. The Borrower shall at all times maintain the Development Coordination Unit of MoL with adequate functions, staffing and resources satisfactory to the Bank. MoL's Development Coordination Unit shall be responsible for the overall coordination and the support to the implementation of the Project, including the procurement and financial management processes under the Project and the preparation of Project reports.

B. Anti-Corruption

The Borrower, through MoL, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Borrower, through MoL, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished by MoL to the Bank not later than one (1) month after the end of the period covered by such report.
2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months prior to the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MoL, shall maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through MoL, shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower, through MoL, shall have the Financial Statements of the Project audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished by MoL to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods shall be procured under contracts awarded on the basis of National

Competitive Bidding procedures subject to the Bank's procurement procedures and the following additional procedures:

- (a) Standard bidding documents approved by the Bank shall be used.
- (b) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty-eight (28) days prior to the deadline for the submission of bids.
- (c) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- (d) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (e) Foreign bidders shall not be precluded from bidding, no preference of any kind shall be given to national bidders, and having a presence in the Borrower's territory shall not be made a condition for bidding.
- (f) Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance i.e. no non-registration status should be considered as a non-eligibility-to-bid criterion and a one-envelope bid submission system should be employed.
- (g) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- (h) Except for late bids, bids shall be opened in public in one place preferably immediately, but no later than one (1) hour, after the deadline for submission of bids, and prices for all bids shall be read out at such public session and no disqualification shall be made at that stage.
- (i) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Bank.
- (j) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank.
- (k) Split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award

shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Bank.

- (l) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- (m) Extension of bid validity shall not be allowed without the prior concurrence of the Bank: (A) for the first request for extension if it is longer than eight (8) weeks; and (B) for all subsequent requests for extensions irrespective of the period.
- (n) Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (o) Re-bidding shall not be carried out without the Bank's prior concurrence.
- (p) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

3. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding and National Competitive Bidding, may be used for the procurement of goods for those contracts specified in the Procurement Plan: (a) Shopping, and (b) Direct Contracting. The Procurement Plan shall specify the circumstances under which the said procurement methods may be used.

C. Particular Methods of Procurement of Consultants' Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for the procurement of consultants' services for those contracts specified in the Procurement Plan: (a) Selection Based on Consultants' Qualifications (CQS); (b) Selection under a Fixed Budget (FBS); (c) Least Cost Selection (LCS); (d) Single Source (SSS); and (e) Individual Consultants. The Procurement Plan shall specify the circumstances under which the said procurement methods may be used.

D. Review by the Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
2. Shortlists of consultants for services estimated to cost less than US\$200,000 (two hundred thousand United States dollars) equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the Categories of Eligible Expenditures that may 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 to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (exclusive of Taxes)
(1) Goods	1,800,000	100% of Foreign Expenditures; 100% of Local Expenditures (ex-factory cost), and 90% of Local Expenditures for other items procured locally.
(2) Consultant services and Training	4,881,000	90% for firms within territory of the Borrower; 95% for services of individual consultants within territory of the Borrower; and 100% of foreign expenditures.
(3) Front-end Fee	18,750	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General

		Conditions
(4) Unallocated	800,250	
TOTAL AMOUNT	<u>7,500,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed three hundred thousand United States dollars (US\$300,000) equivalent may be made for payments made prior to this date but on or after March 1, 2008, for Eligible Expenditures under Categories (1) and (2).
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. The Closing Date is September 30, 2013.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each April 15 and October 15 Beginning October 15, 2013 through October 15, 2027	3.33 %
On April 15, 2028	3.43%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any

amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Development Coordination Unit” or “DCU” means MoL’s Development Coordination Unit, responsible for coordinating the overall implementation of the Project, or any successor thereto.
5. “E-TVET Council” means the Borrower’s Employment and Technical Vocational Education and Training Council, or any successor thereto, established pursuant to Part 1 of Schedule 1 to this Agreement.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
7. “MoL” means the Borrower’s Ministry of Labor, or any successor thereto.
8. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
9. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 4, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
10. “Project Implementation Plan” means the Project Implementation Plan prepared by MoL and submitted to the Bank on September 30, 2008, setting forth, *inter alia*, detailed principles, processes and procedures for implementing the Project, as such plan may be updated from time to time in agreement with Bank.

11. “Training and Employment Fund” means the Training and Employment Fund established pursuant to Article 6 of the Borrower’s TVET Council Law 2001, or any successor thereto.
12. “TVET Council” means the Borrower’s Employment and Technical Vocational Education and Training Council, established under MoL, or any successor thereto.
13. “TVET sector” means Technical-Vocational Educational and Training sector of the Borrower.
14. “VTC” means the Borrower’s Vocational Training Corporation, or any successor thereto.