

CONFORMED COPY

LOAN NUMBER 4668-JO

Loan Agreement

(Horticultural Exports Promotion and Technology Transfer Project)

between

THE HASHEMITE KINGDOM OF JORDAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Date August 2, 2002

LOAN NUMBER 4668-JO

LOAN AGREEMENT

AGREEMENT, dated August 2, 2002, between THE HASHEMITE KINGDOM OF JORDAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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, as amended through October 6, 1999, with the modification set forth below (the General Conditions), constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan”.

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) “AMD” means the Agricultural Marketing Department of MOA;
- (b) “Beneficiary” means a national research entity which has met the eligibility criteria set out in the Project Implementation Manual and the requirements of Schedule 5 to this Agreement and which, as a result, has received or is entitled to receive, a Grant for the carrying out of problem-solving oriented research and technology transfer under paragraph 3 of Part B of Schedule 5 to this Agreement;
- (c) “CRGF” means the competitive research grant fund to be established pursuant to Part B.1 (a) of the Project;
- (d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (e) “Grant Agreement” means the agreement referred to in Part B of Schedule 5 to this Agreement;
- (f) “Grant” means a grant to be made out of CRGF to finance problem-solving oriented research and technology transfer services under Part B.1 (a) of the Project;
- (g) “Horticultural Export Promotion Department” means the department referred to in paragraph 2 (a), (c) and (d) of Part A of Schedule 5 to this Agreement, or any successor thereto;
- (h) “JEDCO” means the Jordan Export Development and Commercial Centers Corporation established in 1972;
- (i) “Midterm Review” means the review to be carried out pursuant to paragraph 2 of Part C of Schedule 5 to this Agreement;
- (j) “MOA” means the Borrower’s Ministry of Agriculture;
- (k) “NCARTT” means the National Center for Agricultural Research and Technical Transfer, an agency of MOA;
- (l) “outgrowers” means small-scale and/or medium-scale farmers participating in the Project;
- (m) “PCU” means the Project Coordinating Unit to be established pursuant to paragraph 3 of Part A of Schedule 5 to this Agreement;
- (n) “Procurement Specialist” means the Procurement Specialist referred to in paragraph 3 (b) (iii) of Part A of Schedule 5 to this Agreement;

(o) "Project Accountant" means the Project Accountant referred to in paragraph 3 (b) (ii) of Part A of Schedule 5 to this Agreement;

(p) "Project Coordinator" means the Project Coordinator referred to in paragraph 3 (b) (i) of Part A of Schedule 5 to this Agreement;

(q) "Project Implementation Manual" means the manual referred to in paragraph 1 of Part A of Schedule 5 to this Agreement;

(r) "Project Year" means the 12 month period beginning from the Effective Date and ending 12 months thereafter and each successive 12 month period following thereafter;

(s) "PSC" means the Project Steering Committee referred to in paragraph 4 of Part A of Schedule 5 to this Agreement;

(t) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(u) "Technical Panel Support Unit" means the unit referred to in paragraph 1 of Part B of Schedule 5 to this Agreement; and

(v) "Technical Panel" means the panel referred to in paragraph 1 of Part B of Schedule 5 to 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 five million dollars (\$5,000,000).

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, works and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Central Bank of Jordan on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006, 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said

fee.

Section 2.05. 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 2.06. (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 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Euro 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) three-fourths of one percent (3/4 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 2.06, 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 new 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 2.07. Interest and other charges shall be payable semiannually on February 15

and August 15 in each year.

Section 2.08. 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, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial, technical, administrative, and horticultural export promotion and technology transfer practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months before 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 establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing

standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 1 (b) of Part C of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following

additional events are specified:

(a) the Project Implementation Manual has been amended so as to affect materially and adversely the carrying out of the Project; and

(b) a situation might arise which shall make it improbable that the Project or any significant part thereof will be carried out.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified, namely, that any event specified in paragraphs (a) or (b) of Section 5.01 shall have occurred.

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 Borrower has furnished to the Bank the Project Implementation Manual in form and substance satisfactory to the Bank;

(b) the Borrower has appointed a full-time Project Coordinator, a Procurement Specialist and a Project Accountant with qualifications and experience satisfactory to the Bank; and

(c) the Borrower has established and maintained for the Project an adequate financial and procurement system satisfactory to the Bank.

Section 6.02. 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:

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

Cable address:

21319 NPC 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:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI);or
64145 (MCI)

(202)-477-6391

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/ Karim Kawar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Louis Sarbib

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment and vehicles	1,068,000	100% of foreign of foreign expenditures and 80% of local expenditures
(2) Works	50,000	70%
(3) Consultants' services and training:		
(a)capacity building, expert services and market research	1,242,000	90%
(b)trade fairs and technical support	1,490,000	80%
(4) Grants	626,000	80% of amounts disbursed
(5) Fee	50,000	Amounts due under Section 2.04 of this Agreement
(6) Unallocated	474,000	
TOTAL	5,000,000	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) expenditures under Category (4) unless: (i) the Borrower has furnished to the Bank guidelines satisfactory to the Bank for the administration of the Grants; and (ii) the Beneficiary concerned has entered into a Grant Agreement with the Borrower and the Grant in question has been made in accordance with the procedures, guidelines and other provisions set out or referred to in the Project Implementation Manual and this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) services under contracts costing less than (A) \$100,000 equivalent each for consulting firms, and (B) \$50,000 equivalent each for individual consultants; (ii) equipment and vehicles under contracts costing less than \$100,000 equivalent each; and (iii) works, Grants, training and study tours, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in its efforts to improve horticultural export marketing by testing, on a pilot basis: (i) a system of outgrower farming which will (A) meet the critical mass or bulk volumes demands of the target export markets, and (B) improve the income of large-scale farmers and outgrowers; and (ii) the building of the technological capacity of farmers (especially the outgrowers) to: (A) improve crop husbandry practices and farmers' produce quality, and (B) thereby reduce the rejection rates of exported consignments in the target markets.

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: Horticultural Export Promotion

1. (a) The establishment in JEDCO of a Department for Horticultural Export Promotion with responsibility for the promotion of horticultural exports, including responsibility for: (i) the carrying out of market research on defined target markets; (ii) the formulation of market entry and market consolidation strategies; (iii) the provision of export advisory services to beneficiaries to take advantage of market opportunities; and (iv) the organization of trade missions and trade fairs and exhibitions, and related activities, including information dissemination.

(b) The establishment in the said Department of a computerized Trade Information Service Unit which will: (i) provide timely information (including the International Trade Center's Market News Service information) on markets and products, horticultural produce and cut-flowers, and European Union (EU) standards and codes of good agricultural practices; and (ii) arrange for (A) the translation into Arabic, in a simplified and harmonized form, of the said EU codes and standards, and (B) the preparation and publication in Arabic of a National Exporters Manual of uniform industry standards for fresh produce exporters which incorporates the translated version of the said EU standards and codes.

(c) The maintenance by JEDCO of a website for export promotion of Jordanian produce, including provision of products data of existing large-scale farms and showcasing their product through virtual exhibition.

(d) Private sector capacity building by JEDCO through: (i) export awareness workshops with respect to costing and pricing, export packaging, transportation, and quality standards, marketing extension, and (ii) the carrying out of supply capability studies for different destination markets.

2. The carrying out by AMD of the following capacity building activities, namely: (i) the compilation of information on farmgate and local prices, export volumes for the benefit of farmers and outgrowers; (ii) the advocacy for export-friendly policies; and (iii) market regulatory functions.

3. The promotion by AMD and JEDCO of a supportive policy environment conducive to high-value agricultural exports, including: (i) directing the focus of concerned parties (including relevant departments of government) on key policy issues that constrain horticultural exports; and (ii) advocating remedial and export friendly actions and policies.

Part B: Strengthening Technology Support Services and Systems

1. Supporting the production by farmers of horticulture and floriculture products through:

(a) adaptive technology development and transfer, including the establishment under the auspices of NCARTT of a competitive research grant fund to provide grants, on a competitive basis, to national research entities such as universities and agricultural institutes for demand-driven, problem-solving oriented research and technology transfer services which would ensure that imported seed and planting material are free of notifiable pests and diseases; and

(b) increased efforts to improve efficiency and raise productivity by means of: (i) the testing of new crop varieties, variety improvement and on-farm crop management; (ii) the carrying out of adaptive trials, verification, and upscaling of production practices for production of high-value fresh farm produce; and (iii) assisting farmers to: (A) adopt and adapt new high-value crop varieties into their farming systems, and (B) develop, as appropriate, pesticide management plans.

2. (a) supporting capacity building efforts for small-scale and medium-scale farmers, including development of a program to support large-scale farmers and/or exporters to get existing small-scale or medium-scale farmers up to speed as outgrowers;

(b) assisting small-scale and medium-scale farmers together with large-scale farmers and/or exporters to build successful and sustainable partnerships;

(c) arranging a well-planned, escorted visit to key markets in Europe for a selected group of contracted outgrowers to provide them with first hand knowledge of: (A) the requirements of the markets in Europe, and (B) how their competitors are organized to meet those requirements; and

(d) the provision of training and workshops and field demonstration trials to outgrowers in areas such as on-farm management and post harvest systems.

3. The utilization of the technical advisory services of about 16 technology transfer specialists in horticulture, inducted from NCARTT and other public research institutions, to provide timely technology help to farmers participating in the Project in such priority areas as good agricultural practices, integrated pest management, post-harvest technology, soil management, irrigation/water management, and cultivation of high value crops, such as table grapes, tomatoes, strawberries and organic produce.

Part C: Quality Testing and Certification of Export Produce

1. Upgrading the Borrower's export produce quality testing and certification facilities, including assisting the Plant Protection Directorate to improve its capacity for testing pesticide residues and heavy metals in order to satisfy the demanding quality requirements of the target

export market and enable the issuing of internationally acceptable quality certificates.

2. (a) Separation of the Borrower's pesticide formulation laboratory from its pesticide residue laboratory to: (i) avoid the possibility of cross-contamination; and rehabilitation of the pesticide residue laboratory; and (ii) improve turnaround time.

(b) Upgrading of the pesticide laboratory's capabilities, through: (i) the provision of training to laboratory staff including short-term local and overseas training in QA, ISO 17025; (ii) the provision of technical advisory services including technical assistance in: (A) the development of ISO 17025, and (B) the installation of new methodology to carry out critical analyses; (iii) the acquisition for the laboratory of a sample homogenizer and other necessary equipment; (iv) the full automation of GC-MS, PC to manage reference materials and QA data, LC-MS-MS; (v) the installation of new methodology to carry out critical analyses; and (vi) the upgrading of the heavy metals testing laboratory to improve turnaround time.

3. The carrying out of measures to: (i) assure effective use of the 40 ton capacity cold storage facility at Queen Alia Airport in Amman; (ii) protect the integrity of the cold chain; and (iii) ensure produce quality at the said Airport, including the acquisition of 14 thermal blankets to protect fresh produce on the pallets and/or air pallets when on the Airport's tarmac.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in US Dollars)*</u>
February 15, 2008	\$210,000
August 15, 2008	\$210,000
February 15, 2009	\$210,000
August 15, 2009	\$210,000
February 15, 2010	\$210,000
August 15, 2010	\$210,000
February 15, 2011	\$210,000
August 15, 2011	\$210,000
February 15, 2012	\$210,000
August 15, 2012	\$210,000
February 15, 2013	\$210,000
August 15, 2013	\$210,000
February 15, 2014	\$210,000
August 15, 2014	\$210,000
February 15, 2015	\$210,000
August 15, 2015	\$210,000
February 15, 2016	\$210,000

August 15, 2016	\$210,000
February 15, 2017	\$210,000
August 15, 2017	\$210,000
February 15, 2018	\$210,000
August 15, 2018	\$210,000
February 15, 2019	\$210,000
August 15, 2019	\$170,000
TOTAL	\$5,000,000

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

SCHEDULE 4

Procurement

Section I. Procurement of Goods

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, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: Other Procedures

1. National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed: (i) \$210,000 equivalent in the case of vehicles; and (ii) \$425,000 equivalent in the case of office equipment, may in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines, be procured under contracts awarded on the basis of national shopping procedures.

2. Procurement of Small Works

Works for the rehabilitation of the formulation laboratory, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: 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 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

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (i) each contract for goods estimated to cost the equivalent of \$100,000 or more; and (ii) each of the first three contracts for goods estimated to cost less than

\$50,000 equivalent to be procured under shopping procedures.

(b) With respect to each contract for goods to be procured in accordance with the shopping procedures referred to in paragraph 2 of Part C above, the following procedures shall apply:

(i) prior to the execution of any contract under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the selection of a supply or execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f), 2 (g) 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 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality-based Selection

Services for national and foreign training under the Project shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for the carrying out of research and technology transfer activities, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, including: (i) services for quality testing and certification, and Project coordination

and monitoring; (ii) services related to participation in trade fairs, seminars, the production of technical reports; and (iii) technical meetings, 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.

3. Single Source Selection

Services to facilitate telephone and E mail operations required under the Project not to exceed: (i) \$15,000 equivalent annually; or (ii) \$55,000 in the aggregate, 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.

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) 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 with respect to: (i) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; (ii) each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more; (iii) amendments to any contract for the employment of a consulting firm raising the value of the contract to the equivalent of \$100,000 or more; (iv) amendments to any contract for the employment of an individual consultant raising the value of the contract to the equivalent of \$50,000 or more; (v) assignments of a critical nature, as reasonably determined by the Bank; and (vi) all sole source contracts.

(b) With respect to 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 the said approval shall have been given.

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 Consultant Guidelines

shall apply.

SCHEDULE 5

Implementation Program

Part A: Project Implementation

1. (a) The Borrower shall prepare and furnish to the Bank a Project Implementation Manual in form and substance satisfactory to the Bank setting out details of all procedures, guidelines, timetables and criteria required for the Project (including an operational manual for the CRGF on agriculture and the eligibility criteria for Grants).

 (b) The Borrower shall carry out the Project in accordance with the Project Implementation Manual and, except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. (a) The Project shall be carried out by the Borrower through MOA and JEDCO. In the carrying out of the Project: (i) MOA shall be assisted by the following agencies of MOA, namely AMD, the Department of Plant Protection and NCARTT; and (ii) JEDCO shall be assisted in the first phase of the Project by the Horticultural Export Promotion Department. Said department shall be phased out when consultations between the Borrower and the Bank shall have determined that private sector farmers/exporters associations are in a position to take over its tasks and responsibilities.

 (b) Responsibility for the coordination of Project activities shall be assigned as follows: (i) export promotion: JEDCO and AMD; (ii) adaptive technology transfer: NCARTT; (iii) export certification: the Department of Plant Protection; and (iv) monitoring and evaluation activities: PCU.

 (c) The Horticultural Export Promotion Department: (i) shall be established no later than one month after the Effective Date in a form and with functions, staffing and resources satisfactory to the Bank; and (ii) shall be made up of two divisions, namely (A) the Export Promotion Services Division, and (B) the Research and Studies Division.

 (d) The Horticultural Export Promotion Department shall be responsible for the promotion of horticultural exports, and its functions shall include: (i) the carrying out of market research on defined target markets for Jordan; (ii) the formulation of market entry and market consolidation strategies; (iii) the provision of export advisory services to exporters and farmers; (iv) the organization of trade missions and trade fairs and exhibitions; and (v) related activities, including information dissemination, all with significant private sector involvement as shall be determined by the Borrower and the Bank.

3. (a) The Borrower shall establish in MOA a Project Coordinating and Monitoring Unit in a form and with functions, staffing and resources satisfactory to the Bank. PCU shall: (i) oversee the carrying out of the Project; and (ii) be concerned with the monitoring of Project progress and achievements.

(b) The staff of PCU shall consist of competent and experienced professionals, including: (i) a Project Coordinator; (ii) a Project Accountant; (iii) a Procurement Specialist; and (iv) two monitoring and evaluation specialists, one of whom shall be an outgrower champion. PCU shall report to the Project Steering Committee.

(c) The Project Coordinator and the Project Accountant shall be responsible for: (i) the coordination and preparation of the detailed Project accounts of MOA and JEDCO, including the accounts of the following Project implementing agencies, namely, NCARTT, the Department of Plant Protection and AMD; and (ii) the preparation of annual consolidated accounts for the Project.

(d) The consolidated Project accounts and the Special Account shall be audited by an independent auditor acceptable to the Bank. PCU shall submit the audit report to the Bank no later than six (6) months after the end of a Project Year.

4. (a) The Borrower shall establish and thereafter maintain a Project Steering Committee in a form and with functions, membership and resources satisfactory to the Bank. PSC shall have overall responsibility for the implementation of the Project, including overall responsibility for: (i) the formulation of policy, and for the review and approval of annual work programs and budget; and (ii) the removal of Project implementation bottlenecks beyond the control of PCU.

(b) PSC's membership shall include: (i) the Minister of Agriculture (chairman); (ii) the Secretary General of MOA; (iii) the Director General of NCARTT; (iv) the Director General of JEDCO; (v) a representative from the Ministry of Planning; (vi) the Project Coordinator; (vii) a representative from the Agricultural Credit Corporation; (viii) representatives of farmers; and (ix) four other representatives nominated from the private sector.

Part B: Competitive Research Grant Fund

1. (a) The Borrower shall establish a Technical Panel in a form and with functions, staffing and resources satisfactory to the Bank. The Technical Panel shall be responsible for the operation of CRGF.

(b) The membership of the Technical Panel shall include: (i) the Director General of NCARTT (chairman); (ii) technical professionals from the Universities of Jordan, MOA and the Royal Scientific Society all of whom shall have qualifications and experience satisfactory to the Bank; and (iii) farmers, private researchers and other representatives of the private sector.

(c) The Technical Panel shall be assisted by a Technical Panel Support Unit acceptable to the Bank which shall be established and located in NCARTT. The Technical Panel Support Unit shall: (i) consist of two staff members; and (ii) be responsible for (A) the compilation of technical problems raised by farmers, and (B) the bringing up of said problems to the attention of the Technical Panel.

2. (a) To be eligible for a Grant, a Beneficiary must furnish a proposal for the Grant that fully satisfies the criteria specified in the Project Implementation Manual for Grant financing, including the criteria specified in the operational manual for the CRGF on agriculture.

(b) In the evaluation of each Grant proposal, consideration shall be given to the

Beneficiary's capacity to carry out and manage the research and technology transfer activities (the Research Activities) in conformity with appropriate administrative, financial, environmental and research standards.

3. The Borrower shall make appropriate amounts of the proceeds of the Loan allocated to Category (4) in Schedule 1 to this Agreement available, on a grant basis, to a Beneficiary under an agreement to be entered into between the Borrower and the Beneficiary, under terms and conditions which shall have been approved by the Bank. The Grant Agreement shall provide for rights adequate to protect the interests of the Bank and the Borrower, including to the extent that it shall be appropriate the right to:

(a) carry out the Research Activities with due diligence and efficiency and in accordance with sound administrative, financial, environmental and research standards; and maintain adequate records for the Research Activities concerned;

(b) require that all goods, works and services required for the Research Activities shall be procured in accordance with the provisions of Schedule 3 to this Agreement;

(c) require that such goods and services shall be used exclusively in the carrying out of the Research Activities;

(d) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, any components of the Research Activities, the operation thereof, and any relevant records and documents;

(e) require that: (i) the Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business and research practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Grant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods; and

(f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Grant upon the failure by the Beneficiary to perform any of its obligations under the Grant Agreement.

Part C: Miscellaneous

1. 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 set out in Schedule 7 to this Agreement, 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 March 31 and September 30 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;

(c) review with the Bank by April 30 and October 31 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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; and

(d) carry out, jointly with the Bank not later than March 31 of every year, beginning on March 1, 2003, an annual progress review of the implementation of the Project, 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.

2. No later than thirty months after the Effective Date, the Borrower shall carry out, jointly with the Bank, a midterm review of the progress made in carrying out the Project. The Midterm Review shall cover among other things:

(i) an assessment of: (A) work programs prepared as of the date of the Midterm Review and the progress made in carrying out the said programs, (B) training provided under the Project, (C) procurement under the Project, (D) the extent to which actions described in the indicators set out in Schedule 7 to this Agreement have been carried out, and (E) plans made or proposed for updating said indicators; and

(ii) a review of the activities carried out under the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works 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 an amount equivalent to \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until 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 \$750,000.

2. Payments out of the 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 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 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 Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 para-graph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special 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 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 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 Account;

(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 the 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, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Bank shall have determined at any time that any payment out of the Special 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 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 Account.

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

SCHEDULE 7

Performance Indicators

The performance indicators for the Project shall include the following, said indicators being subject to modifications by agreement between the Borrower and the Bank:

A. Sector Indicators

1. Increased investment in the sector.
2. Increased volume and value of agriculture/non-traditional exports.
3. Regular trade fairs taking place.
4. Shift to high-value and sustainable horticulture that saves water.

5. Favorable policy changes by the Borrower to promote horticulture exports.

B. Outcome/Impact Indicators

1. A significant increase in the volume and value of exports to these target markets.

2. A significant increase in the number of small and medium-scale farmers producing and being linked to export markets.

C. Output Indicators

1. (a) The number of farmers/exporters who participated in export fairs and exhibitions and export awareness building training.

(b) The number of export contract transactions facilitated.

(c) The number of Exporters Manual demanded or in use.

2. Farmgate, wholesale and export market prices and marketing costs of 12 key horticultural crops published and disseminated to farmer/exporters, especially participating farmers, on a regular basis.

3. (a) The number of uptake of modern horticultural practices by outgrowers.

(b) The number of on-farm technical problems successfully resolved.

(c) The number of export certificates issued and improved turnaround time.

(d) Reduced rejection rates of horticultural exports of farmers and outgrowers.

