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GRANT NUMBER 0574-SRI(EF)  
(Additional to Loan 3640-SRI)

GRANT PROJECT AGREEMENT  
(Externally Financed – Women Entrepreneurs Finance Initiative)  
(Small and Medium-Sized Enterprises Line of Credit Project – Additional Financing)

between

ASIAN DEVELOPMENT BANK

and

NATIONS TRUST BANK PLC

DATED 10<sup>th</sup> August 2018 .

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SRI 49273

## **GRANT PROJECT AGREEMENT**

GRANT PROJECT AGREEMENT dated AUG 10 2018 between ASIAN DEVELOPMENT BANK ("ADB") and NATIONS TRUST BANK PLC ("PFI").

### **WHEREAS**

(A) by a loan agreement dated 16 February 2018 between the Democratic Socialist Republic of Sri Lanka ("Recipient") and ADB ("Loan Agreement"), ADB provided the Recipient a loan from ADB's ordinary capital resources in an amount of seventy-five million Dollars (\$75,000,000) for the purposes of the project described in Section 3.01 of the Loan Agreement;

(B) PFI, in consideration of ADB entering into the Loan Agreement with the Recipient, agreed to undertake the obligations set forth in the project agreement dated 27 February 2018 between ADB and PFI (Loan Project Agreement);

(C) by a Grant Agreement (Grant No. 0574-SRI[EF]) between the Recipient and ADB, ADB has agreed to make available to the Recipient a grant from Women Entrepreneurs Finance Initiative in an amount of nine million five hundred thousand Dollars (\$9,500,000), on the terms and conditions set forth in the Grant Agreement, but only on the condition that a portion of the proceeds of the grant be made available to PFI and that PFI agrees to undertake certain obligations towards ADB as set forth herein; and

(D) PFI, in consideration of ADB entering into the Grant Agreement with the Recipient, has agreed to undertake the obligations set forth herein.

NOW THEREFORE the parties hereto agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Wherever used in this Grant Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and the Grant Agreement, and in the Loan Regulations (as so defined) and the Grant Regulations (as so defined) have the respective meanings therein set forth.

## **ARTICLE II**

### **Subgrants**

Section 2.01. Except as ADB may otherwise agree, the SLR equivalent of the Grant proceeds shall be used only for making Subgrants to Qualified Grant Enterprises for Qualified Grant Subprojects and shall be applied exclusively to Principal Paydowns.

Section 2.02. In addition to any other provisions which a prudent lender would request, each Subgrant agreement shall include provisions to the effect that:

- (a) the proceeds of the Subgrant shall be used exclusively in the carrying out of the Qualified Grant Subproject;
- (b) ADB and PFI shall each have the right to inspect the Principal Paydown, the Qualified Grant Enterprise, the Qualified Grant Subproject and any relevant records and documents;
- (c) ADB and PFI shall each be entitled to obtain all such information as each shall reasonably request relating to the Subgrant, the Principal Paydown, the Qualified Grant Subproject, the Qualified Grant Enterprise and other related matters; and
- (d) PFI shall be entitled to suspend or terminate further access by the Qualified Grant Enterprise to the use of the proceeds of the Grant upon failure by the Qualified Grant Enterprise to perform its obligations under its agreement with PFI.

Section 2.03. PFI shall promptly and effectively exercise its rights in relation to each Qualified Grant Subproject in accordance with the standards of a prudent lender and in such manner as to protect the interests of the Recipient, PFI and ADB.

## **ARTICLE III**

### **Particular Covenants**

Section 3.01. (a) PFI shall carry out the Grant Project with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.

(b) In the carrying out of the Grant Project and in the conduct of its business, PFI shall perform all the obligations set forth in the Grant Agreement to the extent that they are applicable to PFI and all obligations set forth in the Schedule to this Grant Project Agreement.

Section 3.02. PFI shall maintain records and accounts adequate to record the progress of the Grant Project and of each Qualified Grant Subproject (including the

cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of PFI.

Section 3.03. (a) ADB and PFI shall cooperate fully to ensure that the purposes of the Grant will be accomplished.

(b) PFI shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Grant Project, the performance of its obligations under this Grant Project Agreement, or the accomplishment of the purposes of the Grant.

(c) ADB and PFI shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, PFI and the Grant Project.

Section 3.04. (a) PFI shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Grant and the expenditure of the proceeds thereof; (ii) the Grant Project; (iii) the Qualified Grant Enterprises, the Qualified Grant Subprojects and the Subgrants; (iv) the administration, operations and financial condition of PFI; and (v) any other matters relating to the purposes of the Grant.

(b) Without limiting the generality of the foregoing, PFI shall furnish to ADB periodic reports on the execution of the Grant Project and on the operation and management of PFI. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after the Grant Closing Date, but in any event not later than 6 months after the said closing date or such later date as ADB may agree for this purpose, PFI shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the utilization of the Grant, the execution of the Qualified Grant Subprojects, their costs, the performance by PFI of its obligations under this Grant Project Agreement and the accomplishment of the purposes of the Grant.

Section 3.05. (a) PFI shall (i) maintain separate accounts and records for the Grant Project; (ii) prepare annual statements of utilization of funds for the Grant Project in accordance with accounting principles acceptable to ADB; (iii) have such statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the statements and the use of the Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) PFI shall prepare a single annual statement of utilization of funds for both the Project and the Grant Project.

(c) ADB shall disclose the annual audited statements of utilization of funds for the Grant Project and the opinion of the auditors on the statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(d) PFI shall enable ADB, upon ADB's request, to discuss the statements of utilization of funds for the Project and Grant Project and the financial statements of PFI and its financial affairs where they relate to the Grant Project with the auditors appointed by PFI pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of PFI, unless PFI shall otherwise agree.

Section 3.06. PFI shall enable ADB's representatives to inspect any Qualified Grant Enterprise, any Qualified Grant Subproject, the Principal Paydowns, and any relevant records and documents.

Section 3.07. (a) PFI shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Grant Project or in the conduct of its business.

(b) PFI shall at all times conduct its business in accordance with sound applicable technical, financial, and business practices, and under the supervision of competent and experienced management and personnel.

(c) Except as ADB may otherwise agree, PFI shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Grant Project Agreement.

Section 3.08. Except as ADB may otherwise agree, PFI shall duly perform all its obligations under the Subsidiary Grant Agreement and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Subsidiary Grant Agreement.

#### **ARTICLE IV**

##### **Effective Date; Termination**

Section 4.01. This Grant Project Agreement shall come into force and effect on the date notified by ADB.

Section 4.02. This Grant Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms.

Section 4.03. All the provisions of this Grant Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Grant Agreement.

## ARTICLE V

### Miscellaneous

Section 5.01. Any notice or request required or permitted to be given or made under this Grant Project Agreement and any agreement between the parties contemplated by this Grant Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

#### Facsimile Numbers:

(632) 636-2444  
(632) 636-2337

#### For PFI

Nations Trust Bank PLC  
242 Union Place  
Colombo 02  
Sri Lanka

#### Facsimile Number:

+94 11 2307854.

Section 5.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Grant Project Agreement by or on behalf of PFI may be taken or executed by its Director / Chief Executive Officer or by such other person or persons as he shall so designate in writing notified to ADB.

(b) PFI shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

Section 5.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Grant Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Project Agreement to be signed in their respective names as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
SRI WIDOWATI  
Country Director  
Sri Lanka Resident Mission

NATIONS TRUST BANK PLC

By   
\_\_\_\_\_  
RENUKA FERNANDO  
Director / Chief Executive Officer



## **SCHEDULE**

### **Execution of Grant Project; Financial Matters**

#### Implementation Arrangements

1. PFI shall ensure that the Grant Project is implemented in accordance with the detailed arrangements set forth in the Project Administration Manual ("PAM"). Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and the Grant Agreement and the Grant Project Agreement, the provisions of the Grant Agreement and the Grant Project Agreement shall prevail.

#### Condition for Withdrawal and Disbursement Procedures

2. No withdrawal shall be made from the Grant Account for a PFI until the PFI has provided ADB with a legal opinion specifying that the Grant Project Agreement has been duly authorized, executed and delivered on behalf of the PFI, and is legally binding on the PFI in accordance with its terms.

3. When submitting a grant allocation request, each PFI must request a minimum of \$10,000 equivalent.

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. ADB shall finance 100% of the expenditures claimed under each Subgrant.

#### PFI Eligibility Criteria

5. PFI shall satisfy and maintain the following eligibility criteria:
- (a) all the conditions listed in paragraph 5 of the Schedule to the Project Agreement;
  - (b) the PFI shall have disbursed at least 80% of the Grant and 80% of the Loan proceeds allocated to it under a previous allocation as of 1 month prior to the date of the next allocation;
  - (c) the PFI shall have provided to the Project Executing Agency and the Qualified Grant Enterprise (A) substantiation that the Principal Paydown has been applied to the relevant Subloan and (B) the revised Subloan repayment schedule, both within 10 working days of the Principal Paydown; and
  - (d) the PFI shall have completed an ADB-approved gender gap assessment and have had its Board of Directors endorse, by 28 February 2019 or such other date as may be agreed by ADB in its sole discretion, new gender-responsive policies and practices that are based on the gender gap assessment.

6. ADB shall confirm the participation of PFI in the Grant Project based on its assessment of its compliance with the eligibility criteria described in paragraph 5 of this Schedule.

Qualified Grant Enterprises

7. PFI shall ensure that each Qualified Grant Enterprise:
- (a) meets all of the criteria for a Qualified Enterprise under paragraph 8 of Schedule 2 to the Loan Agreement; and
  - (b) shall have at least 51 % of the enterprise ownership controlled by women, or meet all of the following three criteria:
    - (i) at least 20% of the enterprise ownership is controlled by women;
    - (ii) a woman is either the chief executive officer (the senior most manager) or the chief operations officer (the second most senior manager); and
    - (iii) at least 30% of the board members are women, where a board exists; and
  - (c) shall not use the proceeds of the Subgrant and Subloan for the refinancing of any existing loan.

Qualified Grant Subproject

8. The Recipient shall cause the PFIs to ensure that each Qualified Grant Subproject is for a Subloan whose principal is at least Rs750,000.

Subgrants

9. PFI shall ensure that the Subgrants shall be provided only for:
- (a) Principal Paydowns to Qualified Grant Enterprises
  - (b) financing of an additional 10% of the Subloans to Qualified Grant Enterprises which complete the Associated Training; and
  - (c) financing of an additional 5% of the PFI's Subloans to Qualified Grant Enterprises, if the Subloan is for economic activity in the areas within the Uva Province, Sabaragamuwa Province, Northern Province, or Eastern Province.
10. The Recipient shall cause the PFIs to ensure that the cumulative maximum amount for each Subgrant for a Qualified Grant Enterprise or a woman entrepreneur if owning 51% or more of the shares of multiple Qualified Grant Enterprises is SLRs 17.5 million if meeting the criteria of paragraph 9 (a), (b) and (c); SLRs 15 million if meeting the criteria of

paragraph 9 (a) and (b); SLRs 12.5 million if meeting the criteria of paragraph 9(a) and (c); and SLRs 10 million otherwise.

Governance and Anticorruption

11. PFI shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Grant Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Combating Money Laundering and Financing of Terrorism

12. PFI shall:

- (a) comply with applicable laws and regulations of the Recipient on combating money laundering and financing of terrorism and that Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
- (c) promptly inform the Recipient and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs PFI of its concern that there has been such an alleged violation, such PFI shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.