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LOAN NUMBER 4247-BAN(COL)

PROJECT AGREEMENT  
(Microenterprise Financing and Credit Enhancement Project)

between

ASIAN DEVELOPMENT BANK

and

PALLI KARMA SAHAYAK FOUNDATION

DATED 6 DECEMBER 2022

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## PROJECT AGREEMENT

PROJECT AGREEMENT dated 6 December 2022 between ASIAN DEVELOPMENT BANK ("ADB") and PALLI KARMA SAHAYAK FOUNDATION ("PKSF").

### WHEREAS

(A) by a Loan Agreement of even date herewith between People's Republic of Bangladesh ("Borrower") and ADB, ADB has agreed to make to the Borrower a concessional loan of two hundred million Dollars (\$200,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that the proceeds of the Loan be made available to PKSF and that PKSF agrees to undertake certain obligations towards ADB as set forth herein; and

(B) PKSF, in consideration of ADB entering into the Loan Agreement with the Borrower, 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 Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Use of Loan Proceeds

Section 2.01 PKSF shall make available the Taka equivalent of a portion of the Loan proceeds to each PO under a PO Financing Agreement upon terms and conditions satisfactory to ADB and the Borrower.

Section 2.02 PKSF shall use a portion of the Loan proceeds to finance the establishment and operation of the CGF upon terms and conditions satisfactory to ADB and the Borrower.



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### ARTICLE III

#### Subloans and Credit Guarantees

Section 3.01. (a) Except as ADB may otherwise agree, PKSF shall ensure that the POs use the Taka equivalent of the proceeds of the Loan only for making Subloans to Qualified Enterprises for Qualified Subprojects, which shall be applied exclusively to the cost of Goods, Works and Services and other items of expenditure required to carry out such Qualified Subprojects.

(b) Except as ADB may otherwise agree, all Goods, Works and Services to be financed out of the proceeds of the Subloans shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement.

(c) In the carrying out of the Credit Line, PKSF shall ensure that the eligibility criteria with respect to the POs, Qualified Enterprises, Qualified Subprojects and Subloans as set out in Schedule 4 to the Loan Agreement are satisfied at all times.

(d) All Subloans by the POs approved by PKSF shall be subject to post-monitoring and review by ADB.

Section 3.02. PKSF shall cause each PO to ensure that each Subloan:

- (a) finances no more than 80% of the cost of the Qualified Subproject with the remainder covered by the Qualified Enterprise's own contribution;
- (b) does not exceed Taka 5 million, except for a Qualified Enterprise which is a first time borrower, it does not exceed Taka 100,000;
- (c) has a market-based interest rate that reflects the cost of funds plus a spread that covers operating costs and risks, provided that in no event shall the interest rate exceed 18% per annum;
- (d) has a maximum maturity of two years with flexible repayment schedule subject to the Qualified Enterprise's cash flow; and
- (e) is used only for procurement in member countries of ADB, in accordance with procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works and Services which are supplied from, such countries.

Section 3.03. In addition to any other provisions which a prudent lender would request, each Subloan agreement shall include provisions to the effect that:

- (a) the Qualified Enterprise shall carry out and operate the Qualified Subproject with due diligence and efficiency and in accordance with sound applicable technical, financial, business and development practices, including maintenance of adequate accounts and records;

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- (b) the proceeds of the Loan shall be used only for procurement in member countries of ADB, in accordance with procedures acceptable to ADB, of Goods which are produced in and supplied from, and Works and Services which are supplied from, such countries;
- (c) the Goods, Works and Services shall be used exclusively in the carrying out of the Qualified Subproject;
- (d) ADB, PKSF and the PO shall each have the right to inspect such Goods, Works and Services, the Qualified Enterprise, the Qualified Subproject and any relevant records and documents;
- (e) the Qualified Enterprise shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound business practice;
- (f) ADB, PKSF and the PO shall each be entitled to obtain all such information as each shall reasonably request relating to the Subloan, the Goods, Works and Services, the Qualified Subproject, the Qualified Enterprise and other related matters; and
- (g) the PO shall be entitled to suspend or terminate further access by the Qualified Enterprise to the use of the proceeds of the Loan upon failure by the Qualified Enterprise to perform its obligations under its agreement with PO.

Section 3.04. PKSF shall ensure that each PO promptly and effectively exercise its rights in relation to each Qualified Subproject in accordance with the standards of a prudent lender and in such manner as to protect the interests of the Borrower, PKSF, the PO and ADB.

Section 3.05. In the carrying out of the CGF, PKSF shall ensure that the eligibility criteria with respect to the CGF Institutions and POs as set out in Schedule 4 to the Loan Agreement are satisfied at all times.

(d) All guarantees issued by PKSF under the CGF shall be subject to post-monitoring and review by ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) PKSF shall carry out the 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 Project and in the conduct of its business, PKSF shall (i) perform all the obligations set forth in the Loan Agreement and this Project Agreement,

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(ii) cause the POs to perform all of their obligations under the PO Financing Agreements, and (iii) cause the CGF Institutions to perform all of their obligations under the Guarantee Agreements.

Section 4.02. PKSF shall ensure that a PO does not make a Subloan to any Qualified Enterprise unless such Qualified Enterprise has at its disposal, or has made appropriate arrangements to obtain as and when required, all local currency funds, including adequate working capital, and other resources which are required by such Qualified Enterprise for the carrying out of its Qualified Subproject in respect of which the Subloan is to be made.

Section 4.03. (a) PKSF shall cause each PO to maintain records and accounts adequate to record the progress of the Credit Line and of each Qualified Subproject (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the PO.

(b) PKSF shall maintain records and accounts adequate to record the progress of the CGF, each CGF Institution and of each PO which loans have been guaranteed, and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the CGF.

Section 4.04. (a) ADB and PKSF shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) PKSF shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, the Subsidiary Loan Agreement, a PO Financing Agreement, a Guarantee Agreement or the accomplishment of the purposes of the Loan.

(c) ADB and PKSF 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, PKSF, the POs, the CGF Institutions and the Loan.

Section 4.05. (a) PKSF shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the Project; (iii) the Qualified Enterprises, the Qualified Subprojects and the Subloans; (iv) the administration, operations and financial condition of PKSF, the POs and the CGF Institutions; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, PKSF shall furnish to ADB quarterly reports on the execution of the Project and on the operation and management of PKSF. 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 Loan Closing Date, but in any event not later than 3 months after the said closing date or such later date as ADB may agree for this purpose, PKSF shall prepare and furnish through the Borrower to ADB a report, in such form and in such detail as ADB shall reasonably request, on the utilization of the Loan, the execution of the Qualified Subprojects, their costs, the performance by PKSF of its obligations under this Project Agreement, the performance by the POs of their obligations under each PO Financing Agreement, the

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performance by the CGF Institutions of their obligations under each Guarantee Agreement and the accomplishment of the purposes of the Loan.

Section 4.06. (a) PKSF shall (i) maintain, and cause each PO to maintain, separate accounts and records for the Credit Line; (ii) prepare an annual statement of utilization of funds for PKSF for the Credit Line (indicating sources of funds and disbursements to POs) in accordance with accounting principles acceptable to ADB; (iii) cause each PO to prepare and submit to PKSF an annual statement of utilization of funds for the Credit Line; (iv) prepare an annual consolidated statement of utilization of funds (based on the statements submitted to PKSF in accordance with subsection (a)(iii) hereinabove); (v) have the statements referred to in subsections (a)(ii) and (a)(iv) hereinabove audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (vi) as part of each such audit, have the respective auditors prepare a report, which includes the auditors' opinion(s) on the statements referred to in subsections (a)(ii) and (a)(iv) hereinabove and the use of the Loan 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 (vii) 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 reports and management letters, 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. PKSF shall ensure that the POs address in a timely manner key audit issues raised by the independent auditors as part of the audits carried out on the annual consolidated statements of utilization of funds in accordance with subsection (a)(iv) hereinabove (including any such issues set out in a management letter as referred to in subsection (a)(vi) hereinabove), and PKSF shall inform ADB on a quarterly basis on the progress being made by POs in addressing such audit issues.

(b) PKSF shall (i) maintain, and cause to maintain, separate accounts and records for the CGF; (ii) prepare annual financial statements for the CGF (indicating sources of funds and disbursements to CGF Institutions) in accordance with accounting principles acceptable to ADB; (iii) have the statements referred to in subsections (b)(ii) hereinabove 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 such audit, the auditors shall prepare a report, which includes the auditors' opinion(s) on the statements referred to in subsection (b)(ii) hereinabove and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the CGF 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 reports and management letters, 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. PKSF shall ensure to address in timely manner key audit issues raised by the independent auditors as part of the audits carried out on the annual financial statements for the CGF in accordance with subsection (b)(iii) hereinabove (including any such issues set out in a management letter as referred to in subsection (b)(iv) hereinabove).

(c) ADB shall disclose the annual audited statements of utilization of funds for the Credit Line referred to in subsections (a)(ii) and (a)(iv), and the annual audited financial statements for the CGF referred to in subsection (b)(ii) hereinabove and the opinions of the respective auditors on the statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

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(d) In addition to the annual audited statements of utilization of funds referred to in subsections (a)(ii) and (a)(iv), and the annual audited financial statements referred to in subsection (b)(ii) hereinabove, PKSf shall (i) provide its annual financial statements prepared in accordance with financial reporting standards acceptable to ADB; (ii) have such financial 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; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), 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.

(e) PKSf shall enable ADB, upon ADB's request, to discuss the statements of utilization of funds referred to in subsection (a) and the annual audited financial statements referred to in subsection (b) hereinabove and the financial statements of PKSf and its financial affairs where they relate to the Project with the auditors appointed by PKSf pursuant to subsections (a)(v), (b)(iii) and (d)(ii) 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 PKSf, unless PKSf shall otherwise agree.

(f) PKSf shall cause each PO to provide to PKSf its audited annual financial statements. PKSf shall make available to ADB promptly upon ADB's request, during ADB review missions for the Project or otherwise, copies of such audited annual financial statements.

Section 4.07. (a) PKSf shall enable, and shall cause each PO to enable, ADB's representatives to inspect any Qualified Enterprise, any Qualified Subproject, the Goods, Works and Services, and any relevant records and documents for the purposes of the Credit Line.

(b) PKSf shall enable ADB's representatives to inspect any CGF Institution, any PO which loans has been guaranteed under the CGF, and any relevant records and documents for the purposes of the CGF.

Section 4.08. (a) PKSf 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 Project or in the conduct of its business.

(b) PKSf 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, PKSf 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 Project Agreement.

Section 4.09. Except as ADB may otherwise agree, PKSf shall duly perform all its obligation under the Subsidiary Loan Agreement and shall not take, or concur in,

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any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the Subsidiary Loan Agreement.

Section 4.10. PKSF shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project. PKSF shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

**ARTICLE V**

**Effective Date; Termination**

Section 5.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement comes into force and effect. ADB shall promptly notify PKSF of such date.

Section 5.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

Section 5.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.


**ARTICLE VI**

**Miscellaneous**

Section 6.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this 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) 8636-2444  
(632) 8636-2293

For PKSf

PKSF Bhaban, Plot: E-4/B  
Agargaon Administrative Area  
Sher-e-Bangla Nagar  
Dhaka 1207, Bangladesh

Facsimile Number:

(880)2 8181658.

Section 6.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 7.01 of the Loan Agreement by or on behalf of PKSf may be taken or executed by its Managing Director or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) PKSf 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 6.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this 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.

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IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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   
\_\_\_\_\_  
EDIMON GINTING  
Country Director  
Bangladesh Resident Mission

PALLI KARMA SAHAYAK FOUNDATION

By   
\_\_\_\_\_  
NOMITA HALDER  
Managing Director