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LOAN NUMBER 2549-BAN(SF)

LOAN AGREEMENT  
(Special Operations)

(Small and Medium-Sized Enterprise Development Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 12 OCTOBER 2009

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LAS:BAN 36200

## **LOAN AGREEMENT (Special Operations)**

LOAN AGREEMENT dated 12 October 2009 between the PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### **WHEREAS**

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Section 3.01 of this Loan Agreement;

(B) the Project will be carried out by the Finance Division of the Ministry of Finance of the Borrower through the Bangladesh Bank, and for this purpose the Borrower will make available to the Bangladesh Bank the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) the Borrower has also applied to ADB for technical assistance for promoting women's entrepreneurship, which ADB has agreed to finance on a grant basis in conjunction with the Project in an aggregate amount of five hundred thousand Dollars (\$500,000) from the Australia-ADB South Asia Development Partnership Facility; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the Bangladesh Bank;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Administration Agreement" means the agreement between the Borrower and the Bangladesh Bank pursuant to which the Bangladesh Bank will make available the proceeds of the Loan to the PFIs;

(b) "Bangladesh Bank" means the central bank of the Borrower established pursuant to the Bangladesh Bank Order, 1972;

(c) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);

(d) "EMS" means the environmental management system prepared by each PFI, in accordance with the environmental management system framework as set out in Appendix 4 to the RRP, and in compliance with ADB's *Environment Policy* (2002), and the Borrower's policies, laws and regulations;

(e) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(g) "MOF" means the Ministry of Finance of the Borrower;

(h) "Participation Agreement" means the agreement between the Bangladesh Bank and each PFI pursuant to which the PFI shall onlend the proceeds of the Loan to a Qualified Enterprise for a Qualified Subproject;

(i) "PFI" means each of the participating financial institutions which satisfy the eligibility criteria set out in paragraph 6 of Schedule 3 to this Loan Agreement;

(j) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(k) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Finance Division of the MOF, which is responsible for the carrying out of the Project;

(l) "Qualified Enterprise" means an enterprise, which satisfies the eligibility criteria set out in paragraph 7 of Schedule 3 to this Loan Agreement, to which the PFI proposes to make or has made a Subloan;

(m) "Qualified Subproject" means a specific subproject which, satisfies the criteria set out in paragraph 8 of Schedule 3 to this Loan Agreement, to be carried out by the Qualified Enterprise utilizing the proceeds of the Subloan;

(n) "RRP" means Report and Recommendation of the President to ADB's Board of Directors for the Project;

(o) "SME" means a small and medium-sized enterprise;

(p) "Subloan" means a loan made or proposed to be made by the PFI out of the proceeds of the Loan to a Qualified Enterprise for a Qualified Subproject;

(q) "Taka" means the currency of the Borrower; and

(r) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to forty eight million nine hundred twenty seven thousand Special Drawing Rights (SDR 48,927,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

## **ARTICLE III**

### **Use of Proceeds of the Loan**

Section 3.01. The Project for which the Loan is made is the financing by the Borrower of specific SME subprojects by causing the PFIs to make Subloans to Qualified Enterprises for Qualified Subprojects outside the Dhaka and Chittagong metropolitan areas in accordance with this Loan Agreement and the Project Agreement.

Section 3.02. (a) The Borrower shall make available the proceeds of the Loan to the Bangladesh Bank under an Administration Agreement upon terms and conditions satisfactory to ADB, and shall bear the foreign exchange risk in respect thereof.

(b) The Bangladesh Bank shall relend the proceeds of the Loan, in Taka equivalent, to each PFI, under a Participation Agreement, and cause the PFI to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

(c) The Participation Agreement shall be in form and on terms and conditions satisfactory to ADB and the Borrower, and shall be without prejudice to, and without limitation on, the obligations of the Borrower under this Loan Agreement. Except as ADB may otherwise agree, the terms for relending the Taka equivalent proceeds of the Loan to the PFIs shall include interest at the prevailing bank rate of the Bangladesh Bank, and a repayment period not exceeding 20 years.

Section 3.03. (a) Except as ADB may otherwise agree, the proceeds of the Loan shall be applied exclusively to the cost of Goods, Works and consulting services required to carry out the Qualified Subprojects in respect of which the Loan was withdrawn.

(b) Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 March 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Loan Agreement.

(b) The Borrower shall take all actions which shall be necessary on its part to enable the Bangladesh Bank to perform its obligations under this Loan Agreement, the Project Agreement, the Administration Agreement and each Participation Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

(c) The Borrower shall comply with and cause the Bangladesh Bank to comply with Section 6.08 of the Loan Regulations.

Section 4.02. In addition to the reports and information set forth in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Qualified Enterprises, the Qualified Subprojects and the Subloans; and (ii) the administration, operations and financial condition of the PFIs.

Section 4.03. The Borrower shall enable ADB's representatives to inspect any Qualified Enterprise, Qualified Subproject, the Goods and Works financed out of the proceeds of the Loan, and any relevant records and documents maintained by the Bangladesh Bank and the PFIs.

Section 4.04. The Borrower shall promptly take all actions set forth in Section 6.06 of the Loan Regulations, and such actions as necessary to enable the PFIs to perform their obligations under the Participation Agreements. The Borrower shall not take or permit any action which would interfere with performance by the PFIs of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Administration Agreement, and cause the Bangladesh Bank to exercise its rights under each Participation Agreement, in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Administration Agreement, or any of the Participation Agreements, shall be assigned, amended, or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) The Bangladesh Bank shall have failed to perform any of its obligations under the Administration Agreement or the Participation Agreement, including failure to remedy any default within 30 days of the date of such default; and
- (b) Any PFI shall have failed to perform any of its obligations under the Participation Agreement, including failure to remedy any default within 30 days of the date of such default.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events mentioned in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the Administration Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and the Bangladesh Bank, and shall have become effective and binding upon the Borrower and the Bangladesh Bank, respectively, in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and
- (b) the Project Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Bangladesh Bank.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the Administration Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Bangladesh Bank, and is legally binding upon the Borrower and the Bangladesh Bank, respectively, in accordance with its terms; and

(b) the Project Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Bangladesh Bank, and is legally binding upon the Bangladesh Bank in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Delegation of Authority**

Section 7.01. The Borrower hereby designates the Bangladesh Bank its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03, and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by the Bangladesh Bank pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on the Bangladesh Bank under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

## **ARTICLE VIII**

### **Miscellaneous**

Section 8.01. Each of the Secretary, Additional Secretary, Joint Secretary, Joint Chief, Deputy Secretary or Deputy Chief of Economic Relations Division, MOF is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:



For the Borrower

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic of Bangladesh  
Sher-e-Bangla Nagar  
Dhaka 1207  
Bangladesh

Facsimile Number:

880 2 811 3088

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

632 636 2444  
632 636 2337.

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

PEOPLE'S REPUBLIC OF  
BANGLADESH

By 

M MUSHARRAF HOSSAIN BHUIYAN  
Secretary  
Economic Relations Division  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

MD. NURUL HUDA  
Officer-in-Charge  
Bangladesh Resident Mission

**SCHEDULE 1****Amortization Schedule****(Small and Medium-Sized Enterprise Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Mar-2018	1,019,313
15-Sep-2018	1,019,313
15-Mar-2019	1,019,313
15-Sep-2019	1,019,313
15-Mar-2020	1,019,313
15-Sep-2020	1,019,313
15-Mar-2021	1,019,313
15-Sep-2021	1,019,313
15-Mar-2022	1,019,313
15-Sep-2022	1,019,313
15-Mar-2023	1,019,313
15-Sep-2023	1,019,313
15-Mar-2024	1,019,313
15-Sep-2024	1,019,313
15-Mar-2025	1,019,313
15-Sep-2025	1,019,313
15-Mar-2026	1,019,313
15-Sep-2026	1,019,313
15-Mar-2027	1,019,313
15-Sep-2027	1,019,313
15-Mar-2028	1,019,313
15-Sep-2028	1,019,313
15-Mar-2029	1,019,313
15-Sep-2029	1,019,313
15-Mar-2030	1,019,313
15-Sep-2030	1,019,313
15-Mar-2031	1,019,313
15-Sep-2031	1,019,313
15-Mar-2032	1,019,313
15-Sep-2032	1,019,313
15-Mar-2033	1,019,313
15-Sep-2033	1,019,313
15-Mar-2034	1,019,313
15-Sep-2034	1,019,313
15-Mar-2035	1,019,313
15-Sep-2035	1,019,313
15-Mar-2036	1,019,313
15-Sep-2036	1,019,313
15-Mar-2037	1,019,313
15-Sep-2037	1,019,313

Schedule 1

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Mar-2038	1,019,313
15-Sep-2038	1,019,313
15-Mar-2039	1,019,313
15-Sep-2039	1,019,313
15-Mar-2040	1,019,313
15-Sep-2040	1,019,313
15-Mar-2041	1,019,313
15-Sep-2041	1,019,289
Total	48,927,000

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\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

## SCHEDULE 2

### Procurement of Goods, Works, and Consulting Services

#### General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by applicable provisions of the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### Procurement

3. The Bangladesh Bank shall ensure that each PFI requires the Qualified Enterprise to undertake procurement of Goods, Works, and consulting services with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB, and which are in compliance with the provisions of ADB's *Anticorruption Policy* (1998, as amended to date).

#### Industrial or Intellectual Property Rights

4. (a) The Bangladesh Bank shall cause each PFI to ensure that all Goods and Works procured by the Qualified Enterprise (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
- (b) The Bangladesh Bank shall cause each PFI to ensure that all contracts entered into by the Qualified Enterprise for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.
5. The Bangladesh Bank shall cause each PFI to ensure that all ADB-financed contracts entered into by the Qualified Enterprise with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

### SCHEDULE 3

#### Execution of Project; Financial Matters

##### Implementation Arrangements

1. The Finance Division of the MOF, acting in its capacity as the Project Executing Agency, shall be responsible for overall execution, coordination, and supervision of the Project.

2. The Bangladesh Bank shall implement and administer the Project through its Agriculture Credit and Special Programs Department, and shall be responsible for (i) submitting information to ADB on potential PFIs, including its assessment on their eligibility under the Project; (ii) screening and selecting subprojects submitted by the PFIs; (iii) preparing disbursement projections, collecting supporting documents, preparing withdrawal applications, and submitting them to ADB; (iv) regularly monitoring PFIs' continued eligibility under the Project, and disqualifying any PFI that becomes ineligible based on a semiannual review; (v) monitoring disbursements against estimated PFI targets, and reviewing utilization and repayments of Subloans; (vi) maintaining proper accounts, procedures, and records to monitor the progress of Qualified Subprojects every 6 months; (vii) reviewing and reporting to ADB the utilization of the Loan proceeds through quarterly progress reports; and (viii) monitoring the socioeconomic and environmental benefits of the Project.

3. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

4. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account with the Bangladesh Bank. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be the Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditure procedure shall not exceed the equivalent of \$200,000.

5. No withdrawals shall be made from the Loan Account until the Bangladesh Bank has ensured compliance with the eligibility criteria for the PFIs, Qualified Enterprises, and Qualified Subprojects, as described in paragraphs 6, 7, and 8 of this Schedule 3 to the Loan Agreement. Notwithstanding the foregoing, ADB reserves the right to disallow disbursements to any PFI for not conforming to any of the eligibility criteria until such time as the PFI, Qualified Enterprise, or Qualified Subproject achieves compliance with such criteria.

PFI Eligibility Criteria

6. The Bangladesh Bank shall ensure that each PFI shall fulfill at all times the following eligibility criteria:

- (i) Each PFI shall have a strategy, lending policy, and a track record of performance in respect of SME sector lending;
- (ii) Each PFI shall be in compliance with applicable prudential regulations and guidelines of the Bangladesh Bank, including but not limited to those relating to minimum risk-weighted capital; recognition of income; loan classification; loss provisioning; ratio of nonperforming overall loans to nonperforming SME loans; and anti-money laundering;
- (iii) Each PFI shall have, and maintain for the duration of the Project, a credit rating of at least BBB- (moderate degree of safety for timely repayment of financial obligations) as per the Bangladesh long term national rating scale of Credit Rating Information and Services Limited, or an equivalent rating by a credit rating agency acceptable to ADB;
- (iv) Each PFI shall be in compliance with applicable corporate governance regulations and guidelines of the Bangladesh Bank, including but not limited to those relating to establishing corporate governance objectives, strategies, structures and techniques to promote effective identification, monitoring, management of material business risks, enhancing disclosure, and ensuring compliance with regulatory requirements;
- (v) Each PFI shall have demonstrated capability for lending to SMEs outside Dhaka and Chittagong metropolitan areas, which shall be evidenced by branch operations, lending data, as well as plans or availability for providing credit and advisory services in such areas;
- (vi) Each PFI shall have demonstrated capability for proper risk management with adequate processes and procedures covering, among others, credit risk, asset liability risk, and operational risk;
- (vii) Each PFI shall have environmental and social safeguards management systems and trained personnel to identify, remedy, and monitor compliance with national and ADB's environmental and social safeguard policies; and
- (viii) Each PFI shall be financially sound, and shall conduct its operations in accordance with sound financial principles and practices; and maintain a lending and investment policy acceptable to ADB and the Bangladesh Bank to effectively appraise the financial, technical, environmental, and economic feasibility of a subproject, and supervise and monitor the implementation of the Qualified Subprojects.

Schedule 3Qualified Enterprise

7. Each Qualified Enterprise shall either be a start-up SME or an existing SME undertaking expansion or modernization, and shall either have (i) fixed assets not exceeding Taka 200 million (excluding land and building), or (ii) a workforce not exceeding 150 employees.

Qualified Subproject

8. A Qualified Subproject shall:
- (i) be located outside Dhaka and Chittagong metropolitan areas;
  - (ii) be economically and financially viable;
  - (iii) be for start-up, expansion, or modernization activities in any of the eligible subsectors as agreed between the Borrower and ADB;
  - (iv) comply with the Borrower's and ADB's environmental and social safeguard policies;
  - (v) not involve financing of items or activities on ADB's list of Prohibited Investment Activities List, as set out in Supplementary Appendix E to the RRP; and
  - (vi) not involve financing of items or activities pursuant to paragraph 14 of Schedule 3 to this Loan Agreement.

Subloan

9. The Bangladesh Bank shall ensure that any Subloan, along with its own contribution, shall not finance more than 75% of the cost of the Qualified Subproject; and that the PFI shall finance at least 15%, and the Qualified Enterprise shall finance at least 10%, of the cost of the Qualified Subproject.

10. Subject to the provisions of paragraph 9 of this Schedule 3 to the Loan Agreement, the Bangladesh Bank shall not approve any Subloan which exceeds Taka 7 million for a single borrower, or has a term of less than 2 years.

11. The Bangladesh Bank shall cause the PFIs to charge interest on Subloans at rates that reflect their cost of funds plus a spread that covers transaction costs and risk adjusted returns.

12. The Bangladesh Bank shall ensure that qualified female entrepreneurs are given preference in accessing financing under the Project by causing PFIs to earmark a minimum of 15% of the Subloans for lending to women entrepreneurs; and in the event these funds are not utilized within a period of 2 years from the Effective Date, such funds shall revert to the general pool.

Schedule 3

13. The Bangladesh Bank shall cause the PFIs to ensure a wide geographical and sectoral dispersion of the Subloans and give preference to underdeveloped areas and priority sectors as outlined in the Industrial Policy of the Borrower.

Safeguards

14. The Borrower shall ensure that no subproject is financed that could have a significant adverse environmental impact, and which can be classified as a Category A subproject pursuant to ADB's *Environment Policy* (2002), or which could have any resettlement impact under ADB's *Involuntary Resettlement Policy* (1995), or affect indigenous peoples under ADB's *Policy on Indigenous Peoples* (1998).

15. The Bangladesh Bank shall ensure that prior to its approval of any Subloan, each PFI shall have (i) established or updated its EMS; (ii) an environmental safeguard specialist as staff or consultant; and (iii) trained and deployed adequate number of its staff to conduct environmental due diligence, review, monitoring, and reporting in accordance with the EMS in respect of Qualified Subprojects.

16. The Bangladesh Bank shall ensure that each PFI monitors compliance with the EMS and submits its annual environmental compliance monitoring report, in form and substance satisfactory to ADB, through the Borrower to ADB.

Gender Action Plan

17. The Borrower shall ensure that (i) the gender action plan for the Project, prepared in consultation with the Borrower and approved by ADB, is implemented in accordance with its terms; (ii) adequate resources are allocated for the implementation of such gender action plan; and (iii) key gender outcome and output targets are monitored regularly and achieved.

Anticorruption

18. All contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the Bangladesh Bank and the PFIs, and other service providers as they relate to the Project.

19. The Borrower shall continue to implement the mitigation measures described in the governance and anticorruption risk assessment as set out in Appendix 13 to the RRP.

20. During the midterm Project review, the Borrower and ADB shall update the financial management, and governance and anticorruption risk assessments.

Institutional

21. The Borrower shall ensure that legal and institutional reforms initiated for SME development in Bangladesh are sustained, and capacity development of the key SME agencies and financial institutions continues during the Project implementation period and thereafter.



Schedule 3Project Performance Monitoring and Evaluation

22. Within 3 months of the Effective Date, the Bangladesh Bank shall (i) develop a Project performance monitoring and evaluation system acceptable to ADB and the Borrower; (ii) adopt key performance indicators based on the design and monitoring framework for the Project; (iii) establish a baseline for each indicator. The Bangladesh Bank shall make available to ADB such information for Project review, and to the Borrower for future impact assessment surveys.

Reporting

23. The Borrower shall ensure that the Bangladesh Bank submits quarterly monitoring reports based on inputs from the PFIs to ADB. The monitoring reports shall include: description of progress made during the period; changes to the implementation schedule, if any; problems and difficulties encountered and the remedial actions taken; social, environmental, and economic impacts; work to be carried out in the next period; and summary financial account for the Project with expenditures to date.

24. Within 3 months of the completion of the Project, the Borrower shall furnish to ADB a Project completion report containing a detailed evaluation of Project design, costs, PFI performance, social and economic impacts, and other details as may be requested by ADB.

Project Review

25. The Borrower and ADB shall undertake review missions in accordance with the Project implementation schedule mutually agreed upon, which shall include annual performance reviews, and a comprehensive midterm review approximately 18 months after the Effective Date. The midterm review shall evaluate the scope, design, and implementation arrangements; assess implementation performance against Project indicators; review compliance with Loan covenants; and identify problems and constraints and, if necessary, recommend changes in the design or implementation arrangements.