PROJECT AGREEMENT
(Bangladesh Shilpa Bank Project)
between
INTERNATIONAL DEVELOPMENT ASSOCIATION
and
BANGLADESH SHILPA BANK

Dated June 3, 1976
PROJECT AGREEMENT

AGREEMENT, dated June 3, 1976, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and Bangladesh Shilpa Bank (hereinafter called BSB).

WHEREAS by the Development Credit Agreement (Bangladesh Shilpa Bank Project) of even date herewith between People's Republic of Bangladesh (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-five million dollars ($25,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that BSB agree to undertake such obligations toward the Association as are hereinafter set forth;

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and BSB, the proceeds of the credit provided for under the Development Credit Agreement will be made available to BSB on the terms and conditions therein set forth; and

WHEREAS BSB, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Execution of the Project

Section 2.01. BSB shall carry out the Project described in Section 3.01 of the Development Credit Agreement and conduct its operations and affairs with due diligence and efficiency and in conformity with appropriate economic, financial and investment standards and practices, under the supervision of qualified management assisted by qualified personnel in adequate number and in accordance with the Charter and the Statement of Policy.

Section 2.02. (a) The amortization schedule applicable to each sub-loan shall provide for an appropriate period of grace, and, unless the Association and BSB shall otherwise agree, shall not extend beyond fifteen years from the date of approval by the Association of such sub-loan, or of authorization by the Association to make withdrawals from the Credit Account in respect of such sub-loan, and shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

(b) Sub-loans shall bear interest at a rate of not less than 12% per annum on the principal amount of the sub-loans outstanding from time to time.

Section 2.03. BSB undertakes that, unless the Association shall otherwise agree, any sub-loan or investment will be made on terms whereby BSB shall obtain, by written contract with the
investment enterprise or by other appropriate legal means, rights adequate to protect the interests of the Association and BSB, including, in the case of any sub-loan and to the extent that it shall be appropriate in the case of any investment, the right of BSB to:

(i) require the investment enterprise to carry out and operate the investment project with due diligence and efficiency and in accordance with appropriate technical, financial and managerial standards and to maintain adequate records;

(ii) require that (1) the goods and services to be financed out of the proceeds of the sub-loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them and (2) such goods and services shall be used exclusively in the carrying out of the investment project;

(iii) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods and the sites, works, plants and construction included in the investment project, the operation thereof, and any relevant records and documents;
(iv) require that: (1) the investment enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with appropriate business practice; and (2) without any limitation upon the foregoing, such insurance shall cover all hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the investment enterprise to replace or repair such goods;

(v) obtain all such information as the Association or BSB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the investment enterprise;

(vi) suspend or terminate the right of the investment enterprise to the use of the proceeds of the sub-loan upon failure by such investment enterprise to perform its obligations under its contract with BSB; and

(vii) require that the investment enterprise ensure that no declaration of dividends or transfer of funds to any other enterprise, except transfers related directly to contractual obligations
of such investment enterprise, would take place if such dividends or transfer would result in a debt-equity ratio above such ratio as may be acceptable to BSB.

Section 2.04. BSB shall exercise its rights in relation to each investment project in such manner as to: (i) protect the interests of the Association and BSB; (ii) comply with its obligations under this Agreement and the Subsidiary Loan Agreement; and (iii) achieve the purposes of the Project.

Section 2.05. BSB shall submit to the Association for its prior approval, any substantial changes proposed to be made by BSB in respect of the repayment provisions of any sub-loan, provided, that the provisions of this Section shall not apply to free-limit sub-loans.

Section 2.06. BSB shall promptly inform the Association of any action which would have the effect of amending, abrogating, assigning, or waiving any material provision of any agreement under which funds have been lent to or otherwise put at the disposal of BSB.

Section 2.07. BSB shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Association shall otherwise agree, BSB shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.
Section 2.08. (a) BSB shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) BSB shall promptly inform the Association of any condition which interferes or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by BSB of its obligations under this Agreement and under the Subsidiary Loan Agreement.

Section 2.09. Except as the Association shall otherwise agree, BSB: (i) shall not sell, lease, transfer, encumber or otherwise dispose of any of its property or assets, except in the ordinary course of business; and (ii) shall take all action necessary under the laws and regulations of the Borrower to maintain its corporate existence and right to carry on operations and to acquire, maintain, and renew all rights, powers, privileges and franchises necessary or useful in the conduct of its business.

Section 2.10. If BSB establishes or acquires any subsidiary, BSB shall cause such subsidiary to observe and perform the obligations of BSB hereunder to the extent to which such obligations shall or can be applicable thereto, as though such obligations were binding upon such subsidiary.

Section 2.11. Except as the Association shall otherwise agree, BSB shall employ for a period of not less than eighteen
months an expert in economic appraisal and project promotion, and an expert in accounting and information systems, each with qualifications, experience and terms and conditions of employment satisfactory to the Association.
ARTICLE III

Financial Covenants

Section 3.01. BSB shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained appropriate accounting practices the operations and financial condition of BSB.

Section 3.02. BSB shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Borrower and the Association; (ii) furnish to the Association, as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of BSB and the audit thereof as the Association shall from time to time reasonably request.

Section 3.03. Except as the Association shall otherwise agree, BSB shall: (i) conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, its debt/equity ratio within the limit provided in Section 3.05 of this Agreement; and (ii) if such ratio shall, for reasons beyond BSB's control, be
temporarily exceeded, promptly take all such reasonable action as shall be necessary or advisable to bring such ratio within such limit.

Section 3.04. BSB shall not make any repayment in advance of maturity in respect of any outstanding fixed term debt of BSB which, in the judgment of the Association, would materially affect BSB's ability to meet its financial obligations.

Section 3.05. Except as shall be otherwise agreed between the Association and BSB, BSB shall not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of BSB and all its subsidiaries then incurred and outstanding would be greater than five times the consolidated capital and surplus of BSB and all its subsidiaries. For the purposes of this Section:

(a) "debt" means any debt incurred by BSB or any subsidiary maturing more than one year after the date on which it is originally incurred;

(b) The term incurring of debt includes the assumption and guarantee of debt and any renewal, extension, or modification of the terms of the debt or of the assumption or guarantee thereof; and

(c) Debt shall be deemed to be incurred: (i) under a loan contract or agreement (including the Subsidiary Loan Agreement) on the date and to the extent the amount of the loan is drawn down and outstanding pursuant to such loan or agreement, (ii)
under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding, and (iii) in respect of deposits not subject to withdrawal less than one year after receipt, as and when they are received.

(d) Whenever in connection with this Section it shall be necessary to value in terms of Takas debt payable in foreign currency, such valuation shall be made at the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt.

(e) "consolidated debt of BSB and all its subsidiaries" means the total amount of debt of BSB and all its subsidiaries, excluding any debt owed by BSB to any subsidiary or by any subsidiary to BSB or to any other subsidiary.

(f) "consolidated capital and surplus of BSB and all its subsidiaries" means the aggregate of the unimpaired paid-up capital, surplus and free reserves of BSB and all its subsidiaries after excluding therefrom such amounts as shall represent equity interests of BSB in any subsidiary or of any subsidiary in BSB or any other subsidiary.

Section 3.06. BSB shall take such steps satisfactory to the Association as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including Takas) used in its lending and borrowing operations.
Section 3.07. The Association and BSB shall from time to time, at the request of either party, exchange views through their representatives with regard to the administration, operations and financial condition of BSB and its subsidiaries, and BSB shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit lent to BSB under the Subsidiary Loan Agreement, the Project, the investment enterprises, the investment projects, the sub-loans and investments, and the administration, operations and financial condition of BSB and all its subsidiaries.

Section 3.08. BSB shall enable the Association's representatives to inspect the records referred to in Section 3.01 of this Agreement and any relevant documents.
ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of BSB thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) a date eighteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BSB of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Development Credit Agreement.
ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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 or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's 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 the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

For BSB:

Bangladesh Shilpa Bank
Agrani Bhaban
Motijheel Commercial Area
Dacca 2, Bangladesh

Cable address:

PARKALPA
Dacca
Section 5.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of BSB may be taken or executed by the Managing Director or such other person or persons as the Chairman of BSB's Board of Directors shall designate in writing.

Section 5.03. BSB shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of BSB, take any action or execute any documents required or permitted to be taken or executed by BSB pursuant to any of the provisions of this Agreement.

Section 5.04. Failure to Exercise Rights: No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this 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 any action of such party in respect of any default, or any acquiescence by it in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 5.05. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ E. Stern

Regional Vice President
South Asia

BANGLADESH SHILPA BANK

By /s/ M. R. Siddiqi

Authorized Representative