

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H349-BD

Project Agreement

(Additional Financing for Social Investment Program Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIAL DEVELOPMENT FOUNDATION

Dated February 7, 2008

GRANT NUMBER H349-BD

PROJECT AGREEMENT

AGREEMENT dated February 7, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and SOCIAL DEVELOPMENT FOUNDATION (SDF) (“Project Agreement”) in connection with the Financing Agreement (“Additional Financing Agreement”) of same date between the People’s Republic of Bangladesh (“Recipient”) and the Association. The Association and the SDF hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Additional Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Additional Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. SDF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Original Financing Agreement, and, to this end, shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the SDF shall otherwise agree, the SDF shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The SDF’s Representative is the Managing Director.

3.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

3.03. The SDF's Address is:

House 3, Road 2-A, Banani
Dhaka - 1213
Bangladesh

Facsimile:
9873095

AGREED at Dhaka, Bangladesh, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Xian Zhu
Authorized Representative

SOCIAL DEVELOPMENT FOUNDATION

By

/s/ Muhammad Fazlur Rahman
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Original Project Agreement

Article III and Schedule 2 to the Original Project Agreement are incorporated by reference in this Agreement, and the provisions thereof shall apply *mutatis mutandis* to this Agreement

B. Anti-Corruption

The SDF shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The SDF shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The SDF shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the SDF, including the operations, resources and expenditures related to the Project.
2. The SDF shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the SDF. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Additional Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

For the purpose of carrying out the sub-projects through PKSf, the SDF shall enter into an agreement with PKSf, satisfactory to the Association, under which SDF shall:

1. Cause PKSf:
 - (i) to on-lend the funds, through its Disaster Management Fund (DMF), to POs selected according to their location in vulnerable regions on the basis of a subsidiary loan agreement satisfactory to the Association; and
 - (ii) to require from the POs to on-lend the funds to beneficiaries identified in accordance with criteria satisfactory to the Association, and recover the funds, to be remitted back to PKSf for deployment in subsequent years.
2. Cause PKSf to ensure that the following criteria are complied with:
 - (i) that the DMF shall be available for lending in: (A) flood prone areas; (B) perennially distressed areas; (C) river-erosion affected areas; (D) Char lands; (E) marginal areas; and (F) areas affected by severe natural disasters; and
 - (ii) that the eligible activities shall include financing of consumption items for the poorest people, repair of houses, sinking or replacing tubewells, repair or replacement of latrines, and other disaster rehabilitation needs.
3. Cause PKSf to: (i) on-lend the funds to the eligible POs, which are part of its network for managing microcredit funds; (ii) decide on the POs eligible to receive DMF allocations, and the amount of funds to disburse to the POs each year, based on its experience and any criteria it shall have developed; (iii) maintain a separate account for operations of the DMF; (iv) cause all POs to maintain separate accounts of receipts, lending and loan recovery performance; (v) monitor on-lending activities by POs to ensure conformity with lending criteria; (vi) monitor repayment performance and take necessary action to ensure that POs maintain a satisfactory recovery performance; (vii) submit semi-annual progress reports of the operations of the DMF to the SDF and the Association; and (viii) furnish to the Association annually audited financial statements,

including the opinion of the auditors, no later than six (6) months after the end of the financial year.

4. Cause PKSf to ensure that:
 - (a) the POs shall utilize the proceeds of Sub-loans to finance micro-credits to Beneficiaries for Eligible Activities;
 - (b) micro-credits shall be denominated in Takas; the interest rate on micro-credits and their maturity, as well as other terms and conditions and procedures shall be determined by the PKSFOs in accordance with their standard practices;
 - (c) the POs shall ensure that Beneficiaries purchase goods and services to be financed out of the proceeds of micro-credits in accordance with the provisions of Section III of this Agreement, and in accordance with the provisions of the Anti-Corruption Guidelines; and
 - (d) the POs shall ensure that Beneficiaries provide all relevant records, documents and information in respect of micro-credits and Eligible Activities as the POs shall reasonably request.