

Agreement

This agreement is made and entered into at _____ on this _____ day of _____ by and between:

- (1) State Bank of Pakistan, the central bank of Pakistan established by the State Bank of Pakistan Act, 1956 (XXXIII of 1956), having its head office at I.I Chundrigar Road, Karachi -74000 (“SBP”); and
- (2) _____, (a company incorporated under Companies Ordinance 1984) and licensed under the Micro Finance Institution Ordinance, 2001, having its head _____ office _____ at _____
(the “**Bank**”).

WHEREAS:

- (A) The Bank is a micro finance bank licensed by SBP and is engaged in the retailing of financial services to poor and disadvantaged individuals, particularly women;
- (B) SBP has under the authority conferred upon it under Section 17(19)(A) of the State Bank of Pakistan Act, 1956 (XXXIII of 1956) established the New Bank Fund where under it shall provide loans, inter alia, to licensed micro finance banks for the purposes of institutional strengthening and development; and
- (C) The Bank wishes to avail of the loan facility *to be* provided by SBP under the New Bank Fund Rules and SBP has agreed to provide the loan facility to the Bank subject to and upon the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the representations and warranties, conditions and promises herein contained and intending to be legally bound hereby, the Parties hereby agree as follows:

1. DEFINITIONS

- 1.1 In this Agreement, including the recitals and schedule hereto, the following words shall have the following meanings unless the context otherwise requires:
 - (a) “Annual Progress Report” has the meaning given to such term in Clause 3.4;
 - (b) “Bank Account” has the meaning given to such term in Clause 3.5;
 - (c) “Cure Period” has the meaning given to such term in Clause 6.1;
 - (d) “Loan” has the meaning given to such word in Clause 2.1;
 - (e) “Parties” mean SBP and the Bank and “Party” means either of them;
 - (f) “Plan of Operation” has the meaning given to such term in Clause 3.1;

(g) “Project” means the activities to be undertaken by the Bank by utilizing the Loan and as is more comprehensively described in Schedule 1 to this Agreement; and

(h) “Tranche Year” has the meaning given to such term in Clause 2.1.

2. THE LOAN

2.1 SBP hereby agrees to lend to the Bank from its New Bank Fund the amount of Rupees [insert full in words here] (Rs: [insert amount in figures here]) (the “Loan”) payable in [number of tranches] annual tranches (each, a “Tranche Year”) for the purposes of the Project.

2.2 The Bank shall pay to SBP a service fee at the rate of one-half percent (0.5%) per annum payable semi-annually on June 30 and December 31 of each year on the amount of Loan withdrawn and outstanding from time to time.

2.3 The Bank shall repay the principal amount of the Loan in twenty (20) equal semi-annual installments on June 30 and December 31 of each year with the initial installment becoming due on [please insert due date for first installment here. This date should be exactly one year after the release of the final tranche of the Loan by SBP]

3. PLAN OF OPERATION; PROGRESS REPORTS AND FINANCIAL STATEMENTS

3.1 The Bank shall, one (1) month prior to the scheduled date of release of each tranche of the Loan, submit to SBP, a plan of operation (the “Plan of Operation”) which shall, inter alia, provide details of each of the activities which the Bank intends to undertake under the Project for the forthcoming Tranche Year including: (a) the rationale for each of the activities; (b) the expected outcome/impact (including network and outreach expansion, where applicable) of each of the activities; and (c) the Loan proceeds required to undertake each of the activities specified in the Plan of Operation.

3.2 State Bank shall ensure that the Yearly Plan of Operation is in conformity with the objectives of this agreement. In case of disagreement, the Bank would submit a revised plan of operations in the light of suggestions given by SBP. SBP would have the final authority to approve the items / activities proposed by the Bank in their Yearly Plan of Operation.

3.4 The bank shall, within one (1) month of the end of each Tranche Year, submit to SBP an annual progress report (the “Annual Progress Report”) which shall include:

(a) a comparison between the expected outcome/impact (including network and outreach expansion, where applicable) of each of the activities specified in the Plan of Operation submitted to SBP for the particular Tranche Year and the actual outcome/impact (including network and outreach expansion, where applicable) of each of the activities under taken in the Tranche Year; and

- (b) details of the actual Loan proceeds used to undertake each of the activities specified in the Plan of Operation for the particular Tranche Year.

3.5 The Bank shall open and maintain a separate bank account (the “Bank Account”) for the Loan proceeds at a scheduled bank in Pakistan and have a written policy for operating the account. The record of bank account and supporting documents shall be preserved for at least 10 years.

3.6 The Bank shall arrange audit of the financial statements on yearly basis by the auditors from amongst the SBP Panel of auditors and any of authorized persons of SBP may inspect the books of the Bank any time during or after the currency of this agreement.

4 TRANCHE RELEASE CRITERIA

4.1 In case of underutilization of the Loan proceeds in any Tranche Year, the Loan proceeds earmarked for successive tranche shall be reduced to the extent of the Loan proceeds remaining in the Bank Account after completion of the project, actual amount shall be reimbursed to SBP within ninety (90) days, following the expiry of the agreement.

4.2 If the Bank utilizes any amount of the Loan proceeds for any activities not approved by SBP in a Plan of Operation, SBP may deduct such amount from the next tranche of the Loan or demand reimbursement from the Bank.

4.3 Possible income earned on the bank account of the fund must be shown in the financial statements and may be used as an additional contribution for activities admissible in NBF rules.

4.4 Bank shall submit a complete set of documents according to the approved policies and procedures to SBP for assessment and ensuring conformity of expenditures with the items / activities proposed in the Yearly Plan of Operation.

4.5 SBP or any of its authorized persons may inspect the books of the Bank before releasing the funds

5 PARTICULAR COVENANTS

5.1 The Bank shall ensure that at least one-third (1/3) of its customers are women.

5.2 The Bank shall set up a Project unit/division which shall be exclusively responsible to undertake the Project.

5.3 The Bank shall formulate sound administrative policies and procedures for the procurement of goods and services for the Project.

5.4 The Bank shall, within three (3) months of the date hereof, develop a monitoring and evaluation mechanism to monitor and evaluate the effectiveness of the Project. The

Bank shall be required to submit quarterly reports to SBP on the progress achieved in the quarter. SBP and its authorized representatives shall be permitted to visit any area in which the Project is being carried out in order to independently assess the progress of the Project.

6 TERMINATION

6.1 SBP may terminate this agreement in the event that:

- (a) the Bank commits a material breach of any of the terms and conditions of this Agreement;
- (b) the Bank ceases to be a licensed micro finance bank and its new status does not fall within any categories specified as eligible under the New Bank Fund Rules to access the New Bank Fund;

provided, however, that no termination pursuant to Clause 6.1 (a) & (b) above shall take place unless SBP has given notice in writing to the Bank, specifying the default and requiring the Company to remedy the said default within ninety (90) days after the date of the notice or such further period as the Parties may mutually agree on (the "Cure Period"). If the Bank fails to remedy such default within the Cure Period, then SBP may terminate this Agreement upon the service of a notice of termination to the Bank.

6.2 The Bank may terminate this Agreement upon the service of ninety (90) days notice to the effect to SBP.

6.3 In case of premature termination of the Agreement, the Bank shall prepare a final report and submit the audited final statements to SBP. The unutilized amount of funds will be immediately refunded to SBP and the funds used on the Project shall be repaid to SBP as per revised repayment schedule to be prepared with mutual consent of Bank and SBP but not beyond the predetermined repayment schedule.

7. DISPUTE RESOLUTION

7.1 In the event of any dispute or claim arising out of or relating to this Agreement or any breach hereof, the Parties shall use their best effort to settle such dispute or claim amicably. If the Parties fail to reach an amicable settlement, then upon written notice by either Party to the other, the dispute or claim shall be taken to the New Bank Fund Management Committee for resolution. Such meeting convened for dispute resolution would not be chaired by representative of any of the Parties. The committee's decision would be final and binding on for both the Parties

8 MISCELLANEOUS

- 8.1 This Agreement may be amended, modified or supplemented by a written agreement signed by both the Parties.
- 8.2 References in this Agreement to SBP and the Bank shall, where the context so permits include their respective successors-in-interest and permitted assigns

<p>Signed by:</p> <p>_____</p> <p>Mr. _____</p> <p>President</p> <p><i>for and on behalf of</i></p> <p>[Name of Micro Finance Bank]</p>	<p>Signed by:</p> <p>_____</p> <p>_____</p> <p><i>for and on behalf of</i></p> <p>[New Bank Fund Committee]</p>
<p>Witnessed by:</p> <p>1. _____</p> <p>Name: _____</p> <p>NIC No: _____</p> <p>2. _____</p> <p>Name: _____</p> <p>NIC No: _____</p>	<p>Witnessed by:</p> <p>1. _____</p> <p>Name: _____</p> <p>NIC No: _____</p> <p>2. _____</p> <p>Name: _____</p> <p>NIC No: _____</p>