

GRAMEEN BANK

fund for SIDE (Studies Innovation, Development and Experimentation) enterprises (ref: para 164 and 192 (b) of the Appraisal Report dated November 11, 1998). All these loan conditions were meant to remind GB of the necessity to handle the funds to avoid situations in which the borrower and the lender is the same institution. The concept of revolving fund (created out of the grants and long term loans for on-lending purposes) was to ensure that the money is kept in continuous use for the same purpose for giving maximum benefits to the target beneficiaries of GB.

You may be also aware of the GB's response during the negotiation of Third Phase where we assured the donors of taking appropriate steps for creating separate legal and financial entities and also take steps to professionally manage the resources created out of donors financing. The creation of Grameen Kalyan is basically to ensure maximum transparency and responsible uses of the revolving fund. The concept of revolving fund and its application and the reasons for its transfer have been discussed in our letter dated January 8, 1998 to the Ambassador of Norway in Bangladesh. In the same letter we have also explained the NORAD's questions regarding the reasons for creating Grameen Kalyan, non-informing the Embassy of our actions immediately after the transfer, charging of interest and terms of repayment of loans from Kalyan to GB, non-inclusion of revolving fund account in the Annual Report of GB of 1996, question of reduction of the owners equity, use of the loan from Kalyan, effect on tax due to our action and Kalyan's scope to lend to GB etc. It seems, we have failed to make our position clear to the embassy/NORAD, at Dhaka.

We will be happy if you could have the time to look at this problem and lend your assistance to resolve it. If you have any suggestion please let us know. We are always ready to sit with the NORAD officials to discuss and clarify our position for resolving this impasse.

With warm regards.

Sincerely Yours,

A handwritten signature in black ink, appearing to be 'J. K. M. S.', written in a cursive style.

Enclosed : as above.