

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 6207-PK

Project Agreement

(Housing Finance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PAKISTAN MORTGAGE REFINANCE COMPANY

PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and PAKISTAN MORTGAGE REFINANCE COMPANY (“Project Implementing Entity” or “PMRC”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of the Signature Date between the Islamic Republic of Pakistan (“Recipient”) and the Association, concerning Credit No.6207-PK. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) apply to and form 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. PMRC declares its commitment to the objective of the Project. To this end, PMRC shall carry out Parts 1 and 2 of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for PMRC’s Respective Part of the Project.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 10.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. PMRC’s Representative is its Chief Financial Officer/Company Secretary.
- 4.02. For purposes of Section 11.01 of the General Conditions: (a) the Association’s address is:

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

(b) the Association's Electronic Address is:

Telex: Facsimile:

248423(MCI) or 1-202-477-6391

- 4.03. For purposes of Section 11.01 of the General Conditions: (a) the PMRC's address is:

Company Secretary
6th Floor, Bahria Complex-I
M.T. Khan Road
Karachi – 74000,
Pakistan; and

(b) the PMRC's Electronic Address is:

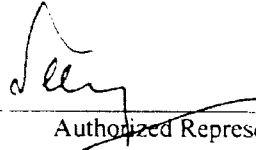
Facsimile: E-mail:

+92 (21) 3563365 companysecretary@pmrc.com.pk

AGREED as of the later of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

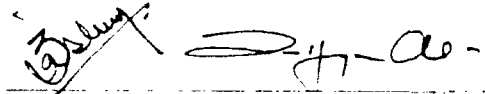
Name: Patchamuthu Illangovan.

Title: Country Director

Date: 14-06-2018

PAKISTAN MORTGAGE REFINANCE COMPANY

By



Authorized Representative

Name: Dr. Muhammad Saleem

Title: Acting CEO

Date: 14/06/2018

SCHEDULE

Execution of the PMRC's Respective Part of the Project

Section I. Implementation Arrangements

A. Project Operations Manual

1. PMRC shall adopt the Project Operations Manual, acceptable to the Association, within two (2) months from the Effective Date.
2. PMRC shall: (a) carry out PMRC's Respective Part of the Project in accordance with the Project Operations Manual; and (b) except as the Association shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated or waived, the Project Operations Manual or any provision thereof in a way that, in the opinion of the Association, might materially and adversely affect the implementation of the Project. In the event of a conflict between the provisions of the Project Operations Manual and those of this Agreement, the latter shall govern.
3. PMRC shall ensure that a team within PMRC shall be maintained, throughout the period of implementation of the Project, with Project implementation functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.

B. Subsidiary Agreement for Part 1 and Part 2 of the Project

1. PMRC shall implement Part 1 and Part 2 of the Project in accordance with a Subsidiary Agreement between the Recipient and PMRC, acceptable to the Association, which shall, *inter alia*, include the following:
 - (a) the obligation of the Recipient to provide: (i) a Subordinated Loan in Pakistan Rupees equivalent to the amount allocated to Category (1) in the Table of Section III.A of Schedule 2 to the Financing Agreement for purposes of carrying out Part 1 of the Project; and (ii) a loan in Pakistan Rupees equivalent to the amount allocated to Category (2) subcategories (a) and (b) in the Table of Section III.A of Schedule 2 to the Financing Agreement for purposes of carrying out Part 2 of the Project;
 - (b) the obligation of PMRC to carry out Part 1 and Part 2 of the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and technical practices and in accordance with the Project Operations Manual, and provide, or cause to be provided,

promptly as needed, the facilities, services and other resources required for Part 1 and Part 2 of the Project;

- (c) the obligation of PMRC to comply with record keeping, auditing and reporting requirements set forth in this Agreement (operations, resources and expenditure) for Part 1 and Part 2 of the Project;
 - (d) the obligation of PMRC, at the request of the Recipient or the Association, to exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement; and
 - (e) the obligation of PMRC to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part 1 and Part 2 of the Project, or the performance of its obligations under the Subsidiary Agreement.
- 2. PMRC shall protect its interests and those of the Recipient and the Association, including the Recipient's right to suspend or terminate the right the PMRC to use the proceeds of the Subsidiary Credit, or to obtain a refund of all or any part of the amount of the Subsidiary Credit then withdrawn, upon PMRC's material failure to perform any of its obligations under the Subsidiary Agreement.
 - 3. PMRC shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect its own interests and the interests of the Association and the Recipient in order to accomplish the purposes of the Credit. PMRC shall not assign, amend, abrogate or waive the Subsidiary Agreement without the prior written approval of the Association.
 - 4. In the event of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Mortgage Refinancing under Part 2(a) of the Project

- 1. For purposes of carrying out of Part 2(a) of the Project, PMRC shall:
 - (a) select Eligible Partner Financial Institutions ("Eligible PFIs") in accordance with the selection procedures and eligibility criteria set out in the Project Operations Manual;
 - (b) make Mortgage Refinancing to Eligible PFIs under participating agreements which shall include terms and conditions acceptable to the Association ("Participating Agreements");

- (c) maintain policies and procedures adequate to enable it to monitor and evaluate the Mortgage Refinancing, on an ongoing basis, and in accordance with the Project Operations Manual;
 - (d) take or cause to be taken all action necessary or appropriate on its part to enable the Eligible PFIs to perform in accordance with the provisions of their respective Participating Agreements all the obligations of the Eligible PFIs therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and
 - (e) exercise its rights and carry out its obligations under the Participating Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Participating Agreement or any provision thereof in a way that, in the opinion of the Association, might materially and adversely affect the implementation of the Project.
2. The Participating Agreement shall include, *inter alia*, the following terms and conditions:
- (a) the obligation of the Eligible PFI to:
 - (i) provide Eligible Mortgage Loan(s) to end-borrowers under terms and conditions set forth in the Project Operations Manual;
 - (ii) maintain, throughout the period of implementation of the Mortgage Refinancing, the necessary organization, management and resources, for supervising the Eligible Mortgage Loan(s);
 - (iii) ensure that the Eligible Mortgage Loan is carried out with due diligence and efficiency, in conformity with appropriate economic, financial, administrative, technical, and social and environmental standards, as set forth in the Project Operations Manual, and the Anti-Corruption Guidelines;
 - (iv) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition;
 - (v) at the request of PMRC or the Association, and to the extent permitted by the applicable laws and regulations, have such records and accounts for PMRC-refinanced Eligible Mortgage Loan(s) audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing

standards acceptable to the Association, and promptly furnish the statements so audited to PMRC and the Association;

- (vi) enable PMRC and the Association, acting thorough PMRC, to examine any records, documents and/or facilities associated with the PMRC-refinanced Eligible Mortgage Loan(s);
 - (vii) promptly inform PMRC of any condition which interferes and threatens to interfere with the purpose of the Eligible Mortgage Loan or with its performance; and
 - (b) the right of PMRC to: (i) suspend, terminate and/or accelerate upon failure of such Eligible PFI to perform any of its obligations under its respective Participating Agreement; and (ii) seek refund of all or any of the Mortgage Refinancing in the event that the Mortgage Refinancing is suspended, terminated and/or accelerated pursuant to the terms of the Participating Agreement.
3. PMRC shall hire a risk manager and an internal auditor, whose terms of reference are acceptable to the Association, within three (3) months from the Effective Date.

D. Risk Sharing Facility under Part 2(b) of the Project

1. For purposes of carrying out Part 2(b) of the Project, PMRC shall operate a risk sharing facility under terms and conditions and with operating principles set out in the Project Operations Manual, including, *inter alia*: (a) criteria for selecting Eligible PFIs and Eligible Mortgage Loans, and (b) legal arrangements for engaging with Eligible PFIs.
2. In order to implement Part 2(b) of the Project, PMRC shall:
- (a) enter into the Participating Agreements with the Eligible PFIs, on terms and conditions acceptable to the Association, which shall include terms and conditions set forth in the Project Operations Manual to make the proceeds of the Subsidiary Credit available to said Eligible PFIs; and
 - (b) except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Participating Agreements in a way that, in the opinion of the Association, might materially and adversely affect the implementation of the Project.
3. PMRC shall exercise its rights and carry out its obligations under the Participating Agreements in such manner as to protect its interests and the interests of the Association in order to accomplish the purposes of the Financing.

E. Environmental and Social Risk Management for Part 2 of the Project

1. For purposes of managing the environmental and social risks and impact associated with the implementation of the PMRC's Respective Part of the Project, PMRC shall ensure that:
 - (a) Credit proceeds are provided only for those Eligible PFIs and Eligible Mortgage Loans that meet the criteria detailed in the Project Operations Manual and that are not utilized for any Eligible Mortgage Loans that support the Excluded Activities as set out in Schedule 4 to the Financing Agreement;
 - (b) all Eligible Mortgage Loans supported under Part 2 of the Project are prepared and operated in accordance with the Applicable Environmental and Social Requirements through adequate implementation of the ESMS;
 - (c) all Eligible PFIs fulfill their respective obligations with regards to environmental and social due diligence and monitoring in accordance with the ESMS; and
 - (d) all Eligible PFIs manage the working conditions of their workforce in accordance with relevant aspects of the World Bank Performance Standard 2 on Labor and Working Conditions.
2. PMRC shall, and shall cause the Eligible PFIs to:
 - (a) (i) disclose annual summary(ies) of the key elements of the ESMS; and
(ii) issue written authorizations to the Association to disclose such summary(ies); and
 - (b) ensure that the Eligible PFIs shall promptly notify PMRC (who in turn shall promptly notify the Association), of any social, labor, health and safety, security or environmental incident, accident or circumstance which may have any material impact on the compliance of the Applicable Environmental and Social Requirements.
3. PMRC shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with environmental and social risk management requirements set forth in this Agreement, providing details on measures taken, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Applicable Environmental and Social Requirements and the ESMS; and remedial measures taken or required to be taken to address such conditions. PMRC shall furnish to the Association a consolidated annual environmental and social performance report within forty-five (45) days after the end of each calendar year.

4. Prior to the carrying out of any activities under Parts 2(a) and (b) of the Project, PMRC shall establish, and thereafter maintain through the period of implementation of the PMRC's Respective Part of the Project, an easily accessible grievance redress mechanism acceptable to the Association, to address feedback and grievances relating to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

1. PMRC shall monitor and evaluate the progress of the PMRC's Respective Part of the Project and prepare Project Reports for the PMRC's Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than one (1) month 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.
2. PMRC shall provide to the Recipient not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.