Financing Agreement

(Low Income Housing Finance Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 14, 2013
CREDIT NUMBER 5283-IN

FINANCING AGREEMENT

AGREEMENT dated August 14, 2013, entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to sixty-six million, one hundred thousand Special Drawing Rights (SDR 66,100,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are March 15 and September 15 in each year.
2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause NHB to carry out its respective part of the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consists of the following, namely that the NHB Act has been amended or repealed so as to affect materially and adversely NHB's ability to perform any of its obligations under the Project Agreement.

4.02. The Additional Events of Acceleration consist of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS, TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely the Subsidiary Agreement has been executed on behalf of the Recipient and NHB, and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement and the Project Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
5.03. The Additional Legal Matter consists of the following, namely the Subsidiary Agreement is legally binding upon the Recipient and NHB in accordance with its terms.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is any of the following: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance.

6.02. The Recipient’s Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Facsimile:

91-11-23092039

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

Authorized Representative

Name Nilaya Mitash
Title Joint Secretary (MI)

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name Michael Haney
Title Operations Advisor
SCHEDULE 1

Project Description

The objective of the Project is to provide access to sustainable housing finance for low income households, to purchase, build or upgrade their dwellings.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A. Capacity Building

Technical assistance for NHB, Qualified Intermediary Institutions, and Qualified Primary Lending Institutions in carrying out the Project and long-term capacity building and institutional strengthening.

Part B. Financial Support for Sustainable and Affordable Housing

Financing for NHB to directly or indirectly through Qualified Intermediary Institutions, refinance:

(i) low income housing Sub-Financings secured by primary mortgages or alternative security arrangements made by Qualified Primary Lending Institutions to Primary Borrowers for the purchase, building or upgrading of formal and informal housing units or dwellings; and

(ii) low income housing Pilot Sub-Financings secured by alternative security arrangements made by Qualified Primary Lending Institutions to Primary Borrowers for the purchase, building or upgrading of informal housing units or dwellings.

Part C. Project Implementation

Implementation support for NHB to carry out the Project.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. To facilitate the carrying out of the Project, the Recipient, through the Department of Financial Services, Ministry of Finance, shall make the proceeds of the Financing available to NHB under a subsidiary agreement between the Recipient and NHB, under terms and conditions acceptable to the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not materially assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

3. In accordance with NHB Act and other applicable laws and rules, the Recipient shall provide NHB with adequate financial resources, including making any capital contributions, for NHB to effectively carry out the Project.

4. The Recipient shall ensure that throughout Project implementation, NHB maintains adequate Project implementation structures with functions, powers, staff and resources necessary and appropriate for Project implementation.

B. Anti-Corruption

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and those of the Governance and Accountability Action Plan.

C. Safeguards

1. The Recipient shall cause NHB to ensure that the Project is carried out in accordance with the environmental and social standards set forth in the Operations Manual. Except as the Association shall otherwise agree, the Recipient shall not amend, vary or waive, or cause NHB to amend, vary, or waive, any provision of the Operations Manual relating to such environmental and social standards, if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
D. Implementation of Project by NHB

1. The Recipient shall cause NHB to carry out the Project in accordance with the provisions of Schedule 1 of the Project Agreement and the Operations Manual.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and shall cause NHB to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester (six months), and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. By the earlier of September 30, 2015 or the date on which the unwithdrawn balance of the Financing falls below SDR33,000,000, the Recipient shall cause NHB to carry out a comprehensive mid-term Project review under terms of reference satisfactory to the Association and, thereafter, to prepare and furnish to the Association a mid-term Project progress report, satisfactory to the Association.

3. The Recipient shall cause NHB to provide the Recipient and the Association all such information as the Recipient or the Association shall reasonably request with respect to the report referred to in Section 4.08 of the General Conditions.

4. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2013.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and shall cause NHB to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause NHB to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall, and shall cause NHB to, have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works, and Non-Consulting Services. All goods, works, and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.

2. Other Methods of Procurement of Goods, Works, and Non-Consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works, and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:
### Procurement Method

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding</td>
</tr>
<tr>
<td>(subject to the additional provisions</td>
</tr>
<tr>
<td>agreed to from time to time between the</td>
</tr>
<tr>
<td>Recipient and the Association and</td>
</tr>
<tr>
<td>referred to in the Procurement Plan)</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Shopping</td>
</tr>
</tbody>
</table>

### D. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants' Qualification</td>
</tr>
<tr>
<td>(c) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Single Source Selection of consulting firms</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of</td>
</tr>
<tr>
<td>the Consultants Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single Source procedures for selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### E. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

### Section IV. Withdrawal of the Proceeds of the Financing

#### A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May
2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, and training and Operating Costs under Part A of the Project</td>
<td>1,320,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-Financings, including Pilot Sub-Financings, under Part B of the Project</td>
<td>64,120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, consultants' services, and Training and Operating Costs under Part C of the Project</td>
<td>660,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>66,100,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawals for payments for Eligible Expenditures shall be made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 6,610,000 equivalent may be made for payments made prior to this date but on or after February 25, 2013, for Eligible Expenditures under Categories (2) and (3).

2. The Closing Date is December 31, 2018.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit Repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2018 to and including March 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing September 15, 2028 to and including March 15, 2038</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "Governance and Accountability Action Plan" means NHB's Governance and Accountability Action Plan, dated March 26, 2013 satisfactory to the Association, which sets out the key actions to be undertaken by NHB to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time by agreement between the Association and NHB.


7. "NHB" means the National Housing Bank established and incorporated under the NHB Act or any successor thereto.

8. "NHB Act" means the National Housing Bank Act (No. 53 of 1987) as amended from time to time.

9. "Operating Costs" means Project incremental operating costs incurred by NHB for Project implementation, management and monitoring, including: (i) office expenses and maintenance, including Project office rent; (ii) operation, hiring and maintenance of vehicles, equipment, and other goods purchased under or used for the Project; (iii) salaries of contractual staff recruited by NHB; and (iv) Project-related domestic travel, including per-diem costs.

10. "Operations Manual" means the Project's Operations Manual dated March 26, 2013 containing a detailed set of NHB's policies, rules, procedures, and protocols necessary for carrying out the Project in accordance with this Agreement and includes, among other things, a detailed description of the various types of Sub-Financing under Part B of the Project; eligibility criteria for Qualified
Intermediary Institutions, Qualified Primary Lending Institutions, and Primary Borrowers; the carrying out of Pilot Sub-Financings and Sub-Financings under Part B of the Project; submission of due diligence and legal documentation regarding each type of Sub-Financing to the Association for its review; and arrangements for financial management and procurement matters, and includes any amendments made by mutual agreement between the Association and NHB.

11. “Qualified Primary Lending Institutions” means and includes housing finance companies, banks (including scheduled banks, cooperative banks, and regional rural banks), cooperative housing finance societies or microfinance institutions, and other entities, which are qualified and eligible to provide direct Pilot Sub-Financings and Sub-Financings under Part B of the Project.

12. “Qualified Intermediary Institutions” means and includes Qualified Primary Lending Institutions refinancing underlying loan transactions between Qualified Primary Lending Institutions and Primary Borrowers under Part B of the Project.

13. “Pilot Sub-Financings” means Sub-Financings involving housing loans with alternative security arrangements made by Qualified Primary Lending Institutions to Primary Borrowers under Part B of the Project to purchase, build or upgrade their dwellings, which are qualified and eligible for refinancing under Part B of the Project pursuant to NHB’s pilot refinancing guidelines, which are satisfactory and acceptable to the Association.

14. “Primary Borrower” means an individual with and without verifiable, documented sources of income and who satisfies the eligibility criteria set out in the Operations Manual to obtain secured and unsecured Pilot Sub-Financings and Sub-Financings under the Project.


16. “Procurement Plan” means NHB’s procurement plan for the Project, dated March 15, 2013 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Sub-Financings” means housing loans made by Qualified Primary Lending Institutions to Primary Borrowers secured by primary mortgages or alternative security arrangements to purchase, build or upgrade their dwellings, which are qualified and eligible for refinancing under Part B of the Project.

18. “Training” means non-consultant expenditures incurred in connection with the provision of training and workshops, including training institution fees, logistics,
materials, and the reasonable cost of travel and per diem costs of trainers and trainees.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

   “Section 3.02. Service Charge and Interest Charge

   (a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

   (b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the remaining paragraphs accordingly:

   “32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).