Project Agreement

(WAEMU Affordable Housing Finance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

WAEMU REGIONAL MORTGAGE REFINANCING COMPANY

(Caisse Regionale de Refinancement Hypothecaire de l'UEMOA)

Dated October 13, 2017
CREDIT NUMBER 6141-3W

PROJECT AGREEMENT

AGREEMENT dated October 13, 2017, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the WAEMU REGIONAL MORTGAGE REFINANCING COMPANY (CAISSE REGIONALE DE REFINANCEMENT HYPOTHECAIRE DE L’UEMOA) ("Project Implementing Entity" or "CRRH-UEMOA") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the West African Development Bank ("Recipient") and the Association. 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) 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts 1 and 2 of 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 its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

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 years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Director General.
4.02. The Association’s Address is:

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

Telex: Facsimile:
248423(MCI) 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

68 Avenue de la Libération
BP 1172 Lome
Togo

Telex: Facsimile:
+228 22 23 27 51 +228 22 23 27 52

AGREED at Washington, D.C, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION
By: Rachid Bessaoud
Country Director for Nigeria and Coordinating Director for the West Africa Regional Integration Program

WAEMU REGIONAL MORTGAGE REFINANCING COMPANY
By: Christian Agossa
Chief Executive Officer
SCHEDULE I

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

1. CRRH-UEMOA Implementation Manual
   (a) The Project Implementing Entity shall: (i) prepare and adopt the CRRH-UEMOA Implementation Manual, in form and substance acceptable to the Association, giving details of administrative, financial, technical and organizational arrangements and procedures as shall be required for its Respective Part of the Project, including, inter alia: (A) institutional coordination and day-to-day execution of activities; (B) disbursement and financial management, including on-lending terms between the Association and BOAD and CRRH-UEMOA and between CRRH-UEMOA and Participating Banks and Non-bank Financial Institutions; (C) procurement; (D) monitoring, evaluation, reporting, and public information, education and communication; (E) Participating Banks and Non-bank Financial Institutions conditions and eligibility criteria for Mortgage Refinancing; and (F) Eligible Mortgage Loan eligibility criteria; and (ii) proceed thereafter to carry out their Respective Part of the Project in accordance with the CRRH-UEMOA Implementation Manual.
   (b) Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend, abrogate or waive any provision of any of the CRRH-UEMOA Implementation Manual, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. Project Administration
   (a) The Project Implementing Entity shall have the responsibility for overall coordination, monitoring, reporting, evaluation and communication of Project activities.
   (b) The Project Implementing Entity shall maintain, at all times until the completion of the Project, a team, with composition, mandate and resources satisfactory to the Association, with the responsibility for financial management, disbursement and procurement support for its Respective Part of the Project. To this end, said team shall be responsible for day to day Project coordination and implementation, including: (i) carrying out Project financial management and procurement activities; (ii) preparing Annual Work Plan and Budget; (iii) monitoring and evaluating and sensitization of Project activities and preparing Project
progress reports and monitoring and evaluation reports; (iv) coordinating with other stakeholders on Project implementation; and (v) technical and financial audits of Project activities.

3. **Annual Work Plans and Budget**

   (a) The Project Implementing Entity shall prepare and furnish to the Association no later than October 30 of each calendar year throughout the implementation of the Project, a work plan and budget of activities proposed for inclusion in its Respective Part of the Project for the next calendar year, together with a budget for such activities and a timetable for their implementation (“Annual Work Plan and Budget”).

   (b) The Project Implementing Entity afford the Recipient and the Association a reasonable opportunity to exchange views with the Recipient on such proposed work plan and budget, and thereafter, carry out such work plan during the period covered by said plan and according to such budget, both as shall have been approved by the Recipient and the Association.

   (c) Only such activities included in the Annual Work Plan and Budget shall be eligible for inclusion in the Project and for financing out of the proceeds of the Credit.

   (d) The Project Implementing Entity shall not amend or modify, or cause to be amended and modified, any approved Annual Work Plan and Budget without the prior written approval of the Recipient and the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient no later than forty-five (45) days 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. The Project Implementing Entity shall provide to the Recipient no later than 6 months of Effective 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.
B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity 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 Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements of the Project 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 fiscal year of the Project. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

3. The Project Implementation Entity shall no later than six (6) months of Effective date, update its accounting system to accommodate its Respective Part of the Project’s accounting requirements.

4. The Project Implementation entity shall ensure that its internal audit department includes its respective part of the Project within its work plan, and provides a semi-annual internal audit report to the Recipient and the Association no later than forty-five (45) days after the end of the relevant semi-annual period.

C. Environmental and Social Risk Management for Parts 1 and 2 of the Project

1. For purposes of managing the environmental and social risks and impacts associated with the implementation of Parts 1 and 2 of the Project, the Recipient shall ensure, and cause CRRH-UEMOA to ensure, that:

   (a) Financing proceeds are provided only to Participating Banks and Non-Bank Financial Institutions for carrying out Mortgage Refinancing that meet the criteria detailed in the CRRH-UEMOA Implementation Manual and that are not utilized for refinancing Eligible Mortgage Loans that support Excluded Activities as set out in Schedule 3 of this Agreement;

   (b) all Eligible Mortgage Loans refinanced under Parts 1 and 2 of the Project by Participating Banks and Non-Bank Financial institutions meet the Applicable Environmental and Social Requirements through adequate implementation of the ESMS;
all Participating Banks and Non-Bank Financial institutions fulfill their respective obligations with regard to carrying out environmental and social due diligence and monitoring of Eligible Mortgage Loans, in accordance with the ESMS; and

(d) all Participating Banks and Non-Bank Financial institutions 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. For purposes of carrying out Parts 1 and 2 of the Project, the Project Implementing Entity shall ensure that Participating Banks and Non-Bank Financial institutions:

(a) (i) disclose (a) summary(ies) of the key elements of their ESMS; and
(ii) issue written authorizations to the Association to disclose such summaries; and

(b) notify CRRH-UEMOA (which 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. The Project Implementing Entity shall 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 implementation of the Applicable Environmental and Social Requirements and the ESMS; and remedial measures taken or required to be taken to address such conditions. The Project Implementing Entity shall furnish to the Association a consolidated annual environmental and social performance report within ninety (90) days after the end of each calendar year.

4. Prior to the carrying out of any activities under Parts 1 and 2 of the Project, the Project Implementing Entity shall establish, and thereafter maintain through the period of implementation of the Project, an easily accessible grievance redress mechanism acceptable to the Association, to address feedback and grievances relating to the Project.

D. Participating Agreements

1. In order to implement Parts 1(a) and 2 of the Project, CRRH-UEMOA shall: (a) enter into Participating Agreements with Participating Banks or Non-Bank Financial Institution, as the case may be, on terms and conditions acceptable to the
Association, which shall include terms and conditions set forth in Schedule 2 to this Agreement to make the proceeds of the Subsidiary Credit available to said Participating Banks or Non-Bank Financial Institution, as the case may be; and (b) except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Participating Agreements.

2. CRRH-UEMOA to exercise its rights 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. CRRH-UEMOA may not assign, amend, abrogate or waive the Participating Agreements without the prior written approval of the Association.

Section III. Other Undertakings

1. To facilitate the implementation of Part 1(a), the CRRH-UEMOA to provide satisfactory evidence that it has issued a bond in the regional capital market, every 18 months, starting by the Effective date and during the implementation of the Project.

2. (a) Except as the Association shall otherwise agree, CRRH-UEMOA shall not: (i) declare any dividend or make any other distribution with respect to its share capital, unless, after such dividend has been paid or other distribution has been made, the current assets of the Recipient would equal or exceed 12 times the current liabilities of the CRRH-UEMOA.

(b) For the purposes of this Paragraph 2(a) immediately above:

(i) The term "current assets" means cash, all assets which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.

(ii) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(iv) Whenever for the purposes of this Section it shall be necessary to value, in the relevant currency used by the Recipient, debt payable
in another currency, such valuation shall be made on the basis of
the prevailing lawful rate of exchange at which such other
currency is, at the time of such valuation, obtainable for the
purposes of servicing such debt, or, in the absence of such rate, on
the basis of a rate of exchange acceptable to the Association.
SCHEDULE 2

Principal Terms and Conditions of Participating Agreements

The provisions of this Annex shall apply for the purposes of the implementation of Part 1(a) and 2 of the Project, as the case may be, and in accordance with Section F of the Schedule 2 to this Agreement.

1. The principal amount to be lent out of the proceeds of the Subsidiary Credit to a Participating Bank or Non-Bank Financial Institution, as the case may be, under a Participating Agreement shall be: (a) denominated and repayable in FCFA; (b) charged interest on the principal amount withdrawn and outstanding from time to time at a rate reasonable to cover the cost of borrowing of the Recipient; and (c) on lent at a maturity of at least 10 years in the case of Participating Banks and a maturity of between 3 and 10 years in the case of Non-Bank Financial Institutions.

2. Each Participating Agreement shall contain requirement that the proceeds of the Subsidiary Credit shall: (a) be used only to refinance Eligible Mortgage Loans, made by the Participating Banks or Non-Bank Financial Institutions, as the case may be, and for no other purpose; and (b) not utilized for refinancing Eligible Mortgage Loans that finance Excluded Activities as set out in Schedule 3 of this Agreement.

3. Each Participating Agreement shall contain provisions pursuant to which CRRH-UEMOA has the right to:

   (a) suspend or terminate the right of a Participating Bank or Non-Bank Financial Institution, as the case may be, to use the proceeds of the Subsidiary Credit, declare it to be immediately due and payable, or obtain a refund of all or any part of the amount of the Subsidiary Credit then withdrawn, upon the Participating Bank or Non-Bank Financial Institution’s failure to perform any of its obligations under a Participating Agreement; and

   (b) require each Participating Bank or Non-Bank Financial Institution, as the case may be to:

      (i) carry out its activities under Part 1(a) and 2 of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Performance Standards, and the provisions of the Anti-Corruption Guidelines applicable to recipients of Subsidiary Credit proceeds other than the Recipient;
(ii) provide, promptly as needed, the resources required for achievement of the objectives of the Project;

(iii) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the refinancing of Eligible Mortgage Loans and the achievement of the Project objectives;

(iv) provide adequate financial and technical information to CRRH-UEMOA to justify that only Eligible Mortgage Loans have been refinanced out of the proceeds of the Subsidiary Credit;

(v) enable the Recipient, the Association and CRRH-UEMOA to inspect the Eligible Mortgage Loans, its operation and any relevant records and documents;

(vi) not assign, amend, abrogate or waive any of its agreements providing for Eligible Mortgage Loans, or any provision thereof, without prior approval of CRRH-UEMOA;

(vii) (1) exchange views with, and furnish all such information to CRRH-UEMOA and the Recipient, as may be, reasonably requested by the Association, the Recipient or CRRH-UEMOA, with regard to the progress of its activities under Parts 1(a) and 2 of the Project, the performance of its obligations under its respective Participating Agreement, and other matters relating to the purposes of Part 1(a) and 2 of the Project; and (2) promptly inform the Association, the Recipient and CRRH-UEMOA of any condition which interferes or threatens to interfere with the progress of its activities under its respective Participating Agreement.
SCHEDULE 3

Excluded Activities

A. List of Excluded Activities:

1. Real estate construction deemed illegal or non-compliant according to applicable national and local laws and regulations.

2. Properties or land associated with illegal forced evictions of previous owners or occupants.

3. Properties built on land from which government agencies or builders have removed/involuntarily resettled local communities, including squatters or encroachers, without proper compensation.

4. Properties involving outstanding land disputes.

5. Properties built in locations and/or in a manner that involves significant degradation or conversion of critical habitats and/or legally protected areas.

6. Properties built in locations and/or in a manner that involves significant adverse impacts on critical cultural heritage.

B. Footnotes on Excluded Activities

1. Examples include unauthorized construction; housing construction in zones not designated as residential; encroachment on public/government land or private land etc.

2. Permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection. Prohibition on forced evictions does not, however, apply to evictions carried out by force in accordance with the law and in conformity with the provisions of the International Covenants on Human Rights. This criteria will only apply where such evictions took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions.

3. Resettlement activities should follow the process through which adverse social and economic impacts are minimized through: (a) providing compensation for loss of assets at replacement cost defined as the market value of the assets plus transaction costs and (b) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected. This criteria will only apply to such resettlement/displacement that took
place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions.

4. Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitats of significant importance for critically endangered or endangered species as defined by the IUCN Red List of Threatened Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and/or congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes. Primary Forests or forests of High Conservation Value (HCV) shall be considered Critical Habitats. HCV areas do not directly correspond with definitions for modified, natural and critical habitat. The HCV Resource Network, an internationally-recognized group, provides information and support on the evolving usage of HCV to ensure a consistent approach. https://www.hcvnetwork.org/

5. This criteria will only apply where such degradation or conversion took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by Participating Banks and Non-Bank Financial Institutions and/or are likely to occur or continue post-construction.

6. Critical cultural heritage consists of one or both of the following types of cultural heritage: (a) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; or (b) legally protected cultural heritage areas, including those proposed by host governments for such designation.

7. This criteria will only apply where such impacts took place specifically in anticipation or preparation for the construction of housing for which primary mortgages had been subsequently originated by PFIs and/or are likely to occur or continue post-construction.