Project Agreement

(Low Income Housing Finance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL HOUSING BANK

Dated August 14, 2013
PROJECT AGREEMENT

Agreement dated August 14, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the NATIONAL HOUSING BANK ("NHB") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between India ("Recipient") and the Association. The Association and NHB 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. NHB declares its commitment to the objectives of the Project. To this end, NHB shall carry out 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 the Project.

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

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. NHB’s Representative is its Chairman and Managing Director, or such other person or persons as he or she shall designate in writing.

3.02. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
3.03. NHB's Address is:

Mr. R.V. Verma  
Chairman and Managing Director  
National Housing Bank  
Core 5-A, 5th Floor  
India Habitat Centre  
Lodhi Road  
New Delhi - 110 003  

Telephone No. + 91 11 24642722

AGREED at New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature]
Authorized Representative
Name MICHAEL HANKEY
Title OPERATIONS ADVISOR

NATIONAL HOUSING BANK

By [Signature]
Authorized Representative
Name R.V. VERMA
Title CHAIRMAN & MANAGING DIRECTOR
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. NHB shall make available additional funds from NHB's own resources sufficient for it to carry out the Project.

2. NHB shall take all necessary corporate and administrative measures required on its part to ensure that its Project implementation unit is staffed with adequate personnel from its organizational staff or consultants or both, including a project manager, and sufficient financial management, monitoring and evaluation, procurement, social and environmental, legal, grievance redress, training, communication and technical personnel, with satisfactory qualifications and skills acceptable to the Association to ensure effective and timely Project implementation.

B. Project Implementation.

1. NHB shall ensure its activities under the Project are carried out in accordance with the provisions of the Operations Manual, the Procurement Plan, the Anti-Corruption Guidelines, and the Governance and Anti-Corruption Action Plan.

C. Sub-Financings under Part B of the Project

1. In refinancing Sub-Financings, NHB shall ensure that the underlying transactions between Qualified Primary Lending Institutions and Qualified Intermediary Institutions and Qualified Primary Lending Institutions and their respective Primary Borrowers fully comply with the eligibility criteria and procedures acceptable to the Association and set forth in the Operations Manual and any other understandings or agreements with the Association.

2. NHB shall:

   (i) in refinancing Sub-Financings involving Qualified Intermediary Institutions cause such lending institutions to ensure that the underlying refinancing transactions between such lending institutions and their respective Qualified Primary Lending Institutions and the underlying loan transactions between the institutions' Qualified Primary Lending Institutions and their Primary Borrowers regarding the Sub-Financings are processed in accordance with applicable environmental and social standards set forth in the Operations Manual; and

   (ii) in refinancing Sub-Financings involving Qualified Primary Lending Institutions cause such lending institutions to ensure that the underlying loan transactions between such lending institutions and their Primary Borrowers regarding the Sub-
Financings are processed in accordance with applicable environmental and social standards set forth in the Operations Manual.

3. Except as the Association shall otherwise agree, NHB shall not amend, vary or waive any provision of the Operations Manual relating to applicable 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.

4. In refinancing any Sub-Financings and Pilot Sub-Financings, NHB shall:

   (i) ensure, and cause the Qualified Intermediary Institutions and Qualified Primary Lending Institutions to ensure, that all underlying refinancing or loan transactions are executed in accordance with applicable central, state, and local laws, rules, and regulations and applicable NHB guidelines governing the Sub-Financings or the Pilot Sub-Financings as the case may be; and

   (ii) ensure that no proceeds of the Financing are used for financing the purchase of land without any existing housing structures or units.

5. NHB shall refinance Sub-Financings in accordance with appropriate legal documentation with Qualified Intermediary Institutions or Qualified Primary Lending Institutions and such terms and conditions as are set out in the Operations Manual as approved by the Association. As part of such documentation, NHB shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to:

   (i) suspend or terminate the right of any Qualified Intermediary Institution or Qualified Primary Lending Institution to use the proceeds of the refinancing, or declare to be immediately due and payable all or any part of the amount of the refinancing then withdrawn, upon the Qualified Intermediary Institution’s or the Qualified Primary Lending Institution’s failure to perform any of its obligations under the legal documentation; and

   (ii) require each Qualified Intermediary Institution or Qualified Primary Lending Institution or both, as the case may be, to:

       (A) ensure that the underlying Sub-Financings are processed with due diligence and efficiency and in accordance with sound low-income housing, technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the applicable provisions of the Operations Manual, the Anti-Corruption Guidelines, and the Governance and Anti-Corruption Action Plan;

       (B) provide, promptly as needed, the resources required for the above-stated purpose;
(C) maintain procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association and NHB, the composition and quality of its Sub-Financings, as the case may be;

(D) (1) maintain prescribed capital adequacy ratios; (2) maintain a financial management system and prepare financial statements, both in a manner adequate to reflect its own operations as well as those of its Sub-Financings, as the case may be, in accordance with generally accepted accounting standards in India and have these financial statements audited in accordance with generally accepted auditing standards in India; and (3) at the Association’s or NHB’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to NHB and the Association;

(E) enable inspections of its operations, premises, and any relevant records and documents and make available its employees and personnel to respond to any queries or information;

(F) enable inspection of the premises and any relevant records and documents of Primary Borrowers and ensure that such Primary Borrowers are available to respond to any queries or information; and

(G) prepare and furnish all such information as shall reasonably be requested relating to the foregoing.

6. NHB shall:

(i) exercise its rights under the refinancing legal documentation with Qualified Intermediary Institutions and Qualified Primary Lending Institutions in such manner as to protect the interests of NHB and the Association and to accomplish the purposes of the Financing;

(ii) cause each Qualified Intermediary Institution and Qualified Primary Lending Institution to exercise its rights under the refinancing legal documentation in such manner as to protect the interests of the Association and to accomplish the purposes of the Financing; and

(iii) except as the Association shall otherwise agree, not materially assign, amend, abrogate or waive the refinancing legal documentation or any of its provisions relating to the Financing under this Project.

7. Without prejudice to the generality of the foregoing provisions, NHB shall ensure that no refinancing for unsecured Sub-Financings under Part B of the Project are made available
to Qualified Intermediary Institutions or Qualified Primary Lending Institutions unless the Association is satisfied that NHB has developed acceptable guidelines for the provision of unsecured Sub-Financings (including Pilot Sub-Financings) under Part B of the Project and such guidelines have been appropriately formulated and reflected in the Operations Manual.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. NHB shall monitor and evaluate the progress of the Project and 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 such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than two (2) weeks 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. NHB shall provide the Recipient not later than June 30, 2019, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions, with 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. NHB 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 overall financial condition of NHB including the operations, resources and expenditures related to the Project.

2. NHB shall prepare and furnish to the Association, not later than 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering each calendar quarter, in form and substance satisfactory to the Association.

3. NHB shall have its Financial Statements referred to in clause (1), 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 (1) fiscal year of NHB. NHB 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.

Section III. Procurement

All goods, works and services required for Part A and Part C of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.