Pakistan Housing Finance Project (P162095)

Key Dates

Key Project Dates

- Bank Approval Date: 29-Mar-2018
- Effectiveness Date: 25-Jun-2018
- Planned Mid Term Review Date: 01-Apr-2021
- Actual Mid-Term Review Date:
- Original Closing Date: 30-Jun-2023
- Revised Closing Date: 30-Jun-2023

Project Development Objectives

The Project Development Objective is to increase access to housing finance for households, and support capital market development in Pakistan.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

- Support to PMRC in Strengthening its Capital Base: (Cost $60.00 M)
- Supporting Expansion of Mortgage Loans: (Cost $80.00 M)
- Capacity Building for Housing Policy and Analytics: (Cost $5.00 M)

Overall Ratings

<table>
<thead>
<tr>
<th>Name</th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Implementation Progress (IP)</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Risk Rating</td>
<td>Substantial</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

Implementation Status and Key Decisions

PMRC, the implementing agency for Component 1 and 2 of the Project, has been making steady progress since commencing operations in June 2018. Till date, it has signed seven Master Refinance Agreements (MRAs) with commercial banks (Askari Bank, Bank Islami, Bank Alfalah, Bank of Khyber, House Building Finance Company, JS Bank and First Women Bank) and has already disbursed USD 59 million as part of these agreements. The USD 70 million Line of Credit under this project has all been disbursed to PMRC (the most recent USD 30 million disbursement was in December 2019). These lines of credit were for middle and low income mortgage loans (a segment that banks have historically not catered to). As a result of these lines of credit, we have seen banks moving to these segments. The long term nature of the funding has allowed for longer term mortgages with fixed rates (further boosting affordability).

Component 2(b) of the project is for a Risk Sharing Facility (RSF). This RSF, although small scale (USD 10 million), is a critical component of the overall Housing Finance Project with an important developmental impact since it has been designed to enable informal and low-income households to access mortgages. A critical factor to the success of this facility was a government backstop. The government has agreed to provide this backstop under a Trust Account Agreement with PMRC (letter to MoF dated May 8, 2019). The modalities of this Trust Account and parameters of
the RSF are currently undergoing the requisite government approvals. Concurrently the Bank and PMRC are developing the Operations Manual for the RSF.

There has been no progress in the implementation of the technical assistance (TA) to Planning Commission on housing and urban planning (Component 3: USD 5 million). Since the advent of the Naya Pakistan Housing Program, we have had multiple requests for technical support for implementing the government’s ambitious housing program. The Naya Pakistan Housing & Development Authority seems the most likely and viable recipient of these TA Funds. Now that the Naya Pakistan Housing & Development Authority Act has been passed by Parliament, the TA funds may be reallocated to it. Any reallocation of funds to a new implementing agency would also require us to evaluate the capacity of the new agency as part of our standard due diligence procedures.

The implementation of the housing finance project has been progressing satisfactorily. More than 90 percent of the Project amount was disbursed within 18 months of project effectiveness. However, the Project as is was designed prior to the Naya Pakistan Housing Program. It was designed to develop Pakistan’s primary mortgage market and has shown success on that front. Going forward, the Naya Pakistan Housing & Development Authority has requested that the Bank scale up support to meet the increase in demand for housing finance resulting from the Government’s Housing Program. This will entail developing new instruments for affordable housing finance. The team is scoping out how to best meet the Government’s request for further support on affordable housing finance. The World Bank stands ready to support the government in this very ambitious and worthy program, however, for our additional support to be viable, certain prerequisites will need to be met, namely:

1) Now that Naya Pakistan Housing & Development Act has gone through all the requisite Parliamentary approvals, the rules and regulations underpinning its operations should be fast-tracked, ideally by April 2020;
2) The TA funds must be mobilized at the earliest (The Housing Authority must start working to commence the process for reallocation), by March 2020;
3) The RSF should be operationalized, by February 2020;
4) Progress must be made on regulating builders and developers;
5) There should be robust pipeline of housing projects under the Government’s Housing Program to demonstrate an increase in affordable housing supply; and
6) PMRC should undertake a capital markets transaction to demonstrate its market viability, before June 2020.

### Risks

#### Systematic Operations Risk-rating Tool

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Rating at Approval</th>
<th>Previous Rating</th>
<th>Current Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and Governance</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Substantial</td>
</tr>
<tr>
<td>Macroeconomic</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Sector Strategies and Policies</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Technical Design of Project or Program</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Institutional Capacity for Implementation and Sustainability</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Fiduciary</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Environment and Social</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Other</td>
<td>--</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Overall</td>
<td>Substantial</td>
<td>Substantial</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

### Results
### PDO Indicators by Objectives / Outcomes

To increase access to housing finance for households and Capital market development in Pakistan

<table>
<thead>
<tr>
<th>PDO Indicators by Objectives / Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>►Number of Total Mortgage Loans Refinanced by PMRC (Number, Custom)</td>
</tr>
<tr>
<td><strong>Baseline</strong></td>
</tr>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Date</td>
</tr>
</tbody>
</table>

| ►Number of Total Outstanding Mortgage Borrowers (Number, Custom) |
| **Baseline** | **Actual (Previous)** | **Actual (Current)** | **End Target** |
| Value | 60,000.00 | 62,399.00 | 59,423.00 | 150,000.00 |
| Date | 30-Dec-2016 | 03-Dec-2018 | 31-Oct-2019 | 30-Jun-2023 |

Comments: State Bank Quarterly Housing data

| ►Percentage of Outstanding Women Mortgage Borrowers Refinanced by PMRC (Percentage, Custom) |
| **Baseline** | **Actual (Previous)** | **Actual (Current)** | **End Target** |
| Value | 0.00 | 0.05 | 0.21 | 10.00 |
| Date | 30-Dec-2016 | 03-Dec-2018 | 31-Oct-2019 | 30-Jun-2023 |

Comments: Based on PMRC October 31, 2019 data which indicate 636 loans were refinanced. Out these loans 133 for women mortgage borrowers.

| ►PMRC bond issuance volume (Amount(USD), Custom) |
| **Baseline** | **Actual (Previous)** | **Actual (Current)** | **End Target** |
| Value | 0.00 | 0.00 | 0.00 | 261,000,000.00 |
| Date | 15-Jun-2018 | 03-Dec-2018 | 31-Oct-2019 | 30-Jun-2023 |

### Intermediate Results Indicators by Components

**Support to PMRC in Strengthening its Capital Base**

<table>
<thead>
<tr>
<th>Intermediate Results Indicators by Components</th>
</tr>
</thead>
<tbody>
<tr>
<td>►Amount of PMRC-Refinanced Mortgage Loans (Amount(USD), Custom)</td>
</tr>
<tr>
<td><strong>Baseline</strong></td>
</tr>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Date</td>
</tr>
</tbody>
</table>
### Supporting Expansion of Mortgage Loans

**IN007955833**

**Number of Mortgage Loans of PKR 3 million or less (Number, Custom)**

<table>
<thead>
<tr>
<th>Value</th>
<th>Baseline</th>
<th>Actual (Previous)</th>
<th>Actual (Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td>0.00</td>
<td>583.00</td>
<td>5,000.00</td>
<td>5,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>01-Jan-2018</th>
<th>03-Dec-2018</th>
<th>31-Oct-2019</th>
<th>30-Jun-2023</th>
</tr>
</thead>
</table>

**Comments:**
From PMRC data reporting as of Dec 31, 2019. The data indicates that PMRC has refinanced 636 loans of which 583 were PKR 3 mil or less.

### Capacity Building for Housing Policy and Analytics

**IN007955834**

**New low income strategy prepared and adopted (Yes/No, Custom)**

<table>
<thead>
<tr>
<th>Value</th>
<th>Baseline</th>
<th>Actual (Previous)</th>
<th>Actual (Current)</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>30-Dec-2016</th>
<th>03-Dec-2018</th>
<th>31-Oct-2019</th>
<th>30-Jun-2023</th>
</tr>
</thead>
</table>

### Data on Financial Performance

#### Disbursements (by loan)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan/Credit/TF</th>
<th>Status</th>
<th>Currency</th>
<th>Original</th>
<th>Revised</th>
<th>Cancelled</th>
<th>Disbursed</th>
<th>Undisbursed</th>
<th>% Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>P162095</td>
<td>IDA-62070</td>
<td>Effective</td>
<td>USD</td>
<td>145.00</td>
<td>145.00</td>
<td>0.00</td>
<td>128.04</td>
<td>10.63</td>
<td>92%</td>
</tr>
</tbody>
</table>

#### Key Dates (by loan)

From PMRC October 2019 reporting. It indicated total refinanced loan value is PKR 3.040 billion. Applying an exchange rate of PKR150/USD the value is USD20.67 million.
The World Bank
Pakistan Housing Finance Project (P162095)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan/Credit/TF</th>
<th>Status</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Orig. Closing Date</th>
<th>Rev. Closing Date</th>
</tr>
</thead>
</table>

**Cumulative Disbursements**

![Cumulative Disbursements Graph]

**Restructuring History**

There has been no restructuring to date.

**Related Project(s)**

P172581-Pakistan Housing Finance: Additional Financing