

## Ex-Ante Evaluation (for Japanese ODA Loan)

Private Sector Partnership and Finance Department, JICA

### 1. Name of the Project

Country: India

Project: Project for Affordable Housing Finance for Low Income Households (Facility for Accelerating Financial Inclusion in Asia)

Loan Agreement: April 3, 2020

Borrower: PNB Housing Finance Limited (PNB Housing)

### 2. Background and Necessity of the Project

#### (1) Current Status and Issues of the Housing Sector in India

In India, housing shortages are a serious challenge. 275 million people (about 22% of the total population) are currently unable to acquire quality housing, and 90% of the housing shortages are for low-income households. In addition, in India, urbanization is progressing rapidly, and since the urbanization rate is estimated to reach about 40% by 2030. Hence, the improving access to housing for low to medium income households in urban areas is becoming an urgent issue to be addressed<sup>1</sup>.

The Government of India has announced “Housing for All,” the goal of supplying houses for all people of the country by 2022, and worked out a set of supply and demand side measures known as “Pradhan Mantri Awas Yojana (PMAY),” which means “Prime Minister Housing Scheme.” On the demand side, the government will grant subsidies to cover the principal of a loan and its interest so that people can purchase a house in each household income category<sup>2</sup>. In the supply side, the government introduced a system under which, a subsidy of 150,000 rupees per house for the Economically Weaker Section (EWS) is paid to a housing developer that builds more than 250 houses of which more than 35% are designed for EWS households whose annual income is 300,000 rupees (about 4,200 dollars) or less.

However, if seen from the demand side, housing loans to GDP ratio still remain at around 10.3%, lower than in other countries<sup>3</sup>, with the funding gap in housing loans estimated at 14

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<sup>1</sup> Source: United Nations Population Fund

<sup>2</sup> In the PMAY project, the Indian government defines the income categories of households to be subsidized as follows:

Economically Weaker Section (EWS): households whose annual income is 300,000 rupees (about 4,200 dollars) or less

Low Income Group (LIG): households whose annual income is over 300,000 rupees and 600,000 rupees (about 8,400 dollars) or less

Middle Income Group I (MIG I): households whose annual income is over 600,000 rupees and 1.2 million rupees (about 16,900 dollars) or less

Middle Income Group II (MIG II): households whose annual income is over 1.2 million rupees and 1.8 million rupees (about 25,300 dollars) or less

<sup>3</sup> The housing loans to GDP ratio is 18% for China, 20% for Thailand, 34% for Malaysia, and 63% for the United States.

billion dollars<sup>4</sup>, and it is necessary to further expand the housing loans, particularly those that help low-income households to purchase a house. The Project, which aims at providing more housing loans to low-income households (EWS and LIG) through PNB Housing, a non-bank financial institution, which specializes in housing finance, is in accord with the issues of this sector and the Government of India's policy.

(2) Japan's and JICA's Policy for the Housing Sector in India and the Priority of the Project Japan's Country Assistance Policy for India (March 2016) states that Japan will strive to improve fundamental social services with a focus on supporting sustainable, comprehensive growth. The JICA Country Analysis Paper for India (March 2018) views responding to the rapid progress of urbanization as JICA's priority issue. In his statement at the 2019 Japan-ASEAN Summit, the Japanese Prime Minister emphasized that Japan was committed to doubling JICA's Private Sector Investment Finance aimed primarily at greater financial access and support for women in the regions around ASEAN. The Project corresponds with the above-mentioned policy and analysis because it is intended to improve low-income households' access to housing loans and help them to obtain a house. It also corresponds with the G7 2X Challenge: Financing for Women<sup>5</sup> because the percentage of women as the primary borrower or as one of joint borrowers is high, at 84%.

### 3. Project Description

#### (1) Project Objective

By providing long-term finance to India's PNB Housing, which provides housing loans, the Project aims at improving low-income households' access to housing loans, thus contributing to the improvement of low-income households' lives and sustainable economic growth in the country.

#### (2) Project Site/Target Area

Entire India (excluding disputed areas)

#### (3) Project Component

Improve low-income households' access to housing loans through long-term finance to PNB Housing

#### (4) Environmental and Social Consideration/Gender Category

##### ① Social Consideration

a) Category: C

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<sup>4</sup> Source: India's Eleventh Five-Year Plan

<sup>5</sup> The G7 Summit held in June 2018 announced that development financial institutions in the G7 countries, including JICA, would adopt the 2X Challenge: Financing for Women and strive to mobilize funds of three billion dollars by 2020 for projects that contribute to the economic empowerment of women.

b) Reason for Categorization:

It is judged under the JICA Environmental and Social Considerations Guideline published in April 2010 that the undesirable effects of the Project on the environment are minimized.

c) Other:

Funds are used for housing loans to low-income households. JICA has agreement with PNB Housing in finance documents that PNB Housing uses JICA's proceeds only for sub projects that meet the JICA Environmental Category C standards.

② Gender Category: Gender project ■GI (S) (Gender activity integration project)

<Reason for Categorization> The percentage of women as the primary borrower or as one of the joint borrowers at PNB Housing is high, at 84% and it is expected to increase women's asset ownership and contribute to the economic empowerment of women. The Project is in accord with the requirements of the G7 2X Challenge: Financing for Women, which aims at developing female entrepreneurs and business leaders and promoting the economic empowerment of women such as the entry of women into the labor market.

(5) Other Important Issues

The Project involves co-financing with Citibank.

4. Targeted Outcomes
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(1) Quantitative Effects

The balance of housing loans for EWS and LIG, the number of EWS and LIG housing loan borrowers, and the percentage of female borrowers will be measured.

(2) Qualitative Effects

Low-income households' access to housing loans is expected to be improved.

5. Lessons Learned from Past Projects
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(1) Results of Evaluation of Similar Projects

It is reported that in the Micro Enterprise Assistance Project for the Arab Republic of Egypt rate of loan repayment was very high. The results of ex-post evaluation and other data indicate that in developing similar projects to support financing for micro and small enterprises, it is important that financiers have (i) rich financing experience and (ii) many branches to understand the creditworthiness of customers spread in the country.

(2) Lessons for the Project

In the due diligence process, PNB Housing's financing experience and branch system was checked and it is confirmed that the PNB Housing has sufficient ability to implement the Project.

## 6. Evaluation Results

The Project is aligned with the development issues and development policy of India and is consistent with Japan's and JICA's development cooperation policies. It will contribute to the improvement of low-income households' lives and sustainable economic growth in the country by providing housing loans to low-income households, and is expected to help achieve SDGs Goals: Goal 1 (Poverty Alleviation), Goal 5 (Gender Equality), Goal 8 (Access to financial services), Goal 11 (Sustainable Cities and Communities), and Goal 17 (Partnerships for the Goals). Accordingly, there is a substantial need for JICA to support the Project with Private Sector Investment Finance.

## 7. Plan for Future Evaluation

### (1) Indicators to be Used

As described in Section 4. (1) above

### (2) Timing

Ex-post evaluation: Two years after project completion.

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