

SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY

A. Safeguards

1. The proposed loan to Dewan Housing Finance Corporation (DHFL) will be used to finance the purchase of low-cost affordable housing (LCAH) units in India. The country's regulators currently define LCAH as housing units with maximum floor area of 60 square meters and a cost of up to Rs3 million per unit. LCAH loans to an individual borrower are also subject to a current cap of INR2.5 million. At least 40% of the proceeds of the Asian Development Bank (ADB) loan for the project will be lent by DHFL to subborrowers in some of the country's less-developed states, including Andhra Pradesh, Chattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, Uttarakhand, Uttar Pradesh and West Bengal. The investment is classified as category FI (treated as C) for environment, involuntary resettlement, and indigenous peoples.

2. DHFL will provide housing finance to individual borrowers for low-cost affordable housing units, mostly in urban areas. Environmental impacts are expected to be insignificant due to the relatively small scale of the activities. The DHFL loan approval process always includes checking the applicable building permissions from relevant authorities, apart from verification of the evidence of legal ownership or rights of the applicant. Involuntary resettlement impacts will not be triggered as DHFL will provide housing loans only to individuals who have purchased the property with mortgage or are voluntarily making improvements to their dwellings. Impacts on indigenous peoples are not expected. While a few of the beneficiaries may be identified as members of tribal groups based on their cultural identity, they are not expected to possess the characteristics of Indigenous Peoples as defined in ADB's Safeguard Policy Statement (2009).

3. DHFL carries out legal and technical scrutiny of all eligible applicants prior to deciding on the approval of the loan sanctioning by its operations department.¹ The original property documents submitted by the applicant are reviewed by the internal legal department of DHFL or the empaneled lawyers for their opinion. Based on the review of the documents furnished and supplemented with site visits, the legal team prepares a legal scrutiny report covering the following: (i) description of property; (ii) legal opinion on the documents submitted; (iii) flow of title of property; (iv) evidence of title of property to the applicant; and (v) specific site information, such as whether the property is affected by revenue or tenancy regulations, the competent authority has approved the conversion of the land for use for residential purposes, all taxes have been paid to the authority, the original documents for the previous 30 years have been scrutinized, the land is tribal land, and the land is subject to any reservations, acquisitions or requisitions. A positive legal scrutiny report is required for the DHFL operations department to consider sanctioning the loan application. Parallel to the legal scrutiny, a technical review is carried out by the technical department,² which assesses whether (i) the proposed site is approved for residential development in the master plan and/or development plan; (ii) the site has access to basic utilities and services; (iii) the actual available area on ground conforms to the requirements of construction drawings submitted and the proposed specifications, (iv) all statutory clearances and permits required have been obtained; (v) the stated development costs and land values are appropriate, based on a physical inspection and enquiries in the property

¹ The eligibility of the applicant is determined by the sales coordinator and the appraisal officer, considering the personal information of the applicant, income papers, bank statement, employment profile, and a telephone discussion with employer in case of salaried applicants or a visit to the business premise of the applicant when the applicant is self-employed.

² DHFL has about 150 engineers deployed in the technical department to carry out the technical scrutiny of all applications.

surroundings, and (vi) the land parcel has any encumbrances, including squatters. The recommendations of the technical officer are compiled in the technical scrutiny report (TSR) for further processing by the operations department. A negative TSR shall result in rejection of the loan application.

4. The operations department and the compliance officer of DHFL, on receipt of positive legal as well as technical scrutiny reports, carry out a validation of the files, documents, and conditions prior to forwarding the file to the divisional manager for sanctioning of the loan and disbursement. The review process of DHFL enables identification of potential issues related to environment, involuntary resettlement, and indigenous peoples and screens and rejects applicants with potential impacts.

B. Other Social Dimensions

5. DHFL has a policy of providing equal opportunities in employment. DHFL follows a policy of zero tolerance on acts of discrimination or harassment and has an internal complaints committee that has procedures laid down for the reporting, monitoring, and redress of complaints. Based on the gender measures that DHFL has committed to under the project, the transaction is classified as effective gender mainstreaming under ADB's guidelines. To promote gender equality in its operations and achieve the targets stated in the project's gender action plan, DHFL has committed to (i) improve access to housing finance for women borrowers; (ii) increase its network of all-women DHFL branches; (iii) implement special initiatives in less-developed states to benefit women borrowers; (iv) train DHFL staff to target and service women borrowers; and (v) establish, maintain, and report sex disaggregated information in its annual reporting to ADB. DHFL and its borrowers are expected to comply with relevant national labor laws, internationally recognized core labor standards, and ADB's social protection strategy.³

6. DHFL has a corporate social responsibility (CSR) policy to guide the company's CSR efforts in an orderly and purposeful manner. The CSR initiatives focus largely on providing financial services to low- and middle-income households. DHFL envisages spending about \$2 million on its CSR initiatives during FY2014-FY2015. The DHFL CSR policy has education as its cornerstone and also emphasizes other improvements in the local communities, especially those of low- and middle-income households.

³ ADB. 2001. *Social Protection Strategy*. Manila.