

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	India	Project Title:	Loan to PNB Housing Finance Limited
Lending/ Financing Modality:	FI	Department/Division:	PSOD/PSFI

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The 2012 urban housing backlog in India was estimated at 19 million and more than 90 percent of the housing shortage is faced by low-income and poor households. The National Urban Housing & Habitat Policy 2007 (NUHHP-2007) seeks to promote public-private partnerships for realizing the goal of “Affordable Housing for All” with special emphasis on the urban poor. Financial inclusion is a priority of the Government of India (GoI). The GoI has taken up initiatives such as Interest Subsidy Scheme for Housing titled Rajiv Rinn Yojana (or Rajiv Loan Scheme), as an instrument to address the housing needs of the Economically Weaker Sections (EWS) and Low Income Groups (LIG) segments in urban areas, through enhanced credit flow. This proposed project is in line with the priorities of the GoI and contributes to improved access to housing finance for the low income households, especially in the more underdeveloped states (including Uttar Pradesh, Madhya Pradesh, Rajasthan, Jharkhand, Chattisgarh, Uttarakhand, Andhra Pradesh, and West Bengal).

Housing finance is one of the five focus areas of intervention of ADB’s financial sector strategy under the country partnership strategy 2013–2017ii. The proposed project contributes to financial sector development by boosting the growth of house finance companies (HFCs) which is an important component of the non-bank financial sector in India. By helping low income households purchase home with better living conditions, the project will contribute to improvements in quality of life, the key objective of ADB’s urban sector operations in India. By targeting lagging states, it supports inclusive growth, one of the three strategic pillars of the CPS.

B. Targeting Classification

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The proposed project will support Low Cost Affordable Housing (LCAH) development in India, especially in the underdeveloped states.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Funding constraints prevent millions of middle and low income households in the country, especially in the under developed states, from becoming homeowners. These households, especially those engaged in the informal sectors of the economy, face high borrowing costs due to a high reliance on informal sources of credit for housing finance. By targeting these poorer households who are currently underserved by the

commercial banks, the project will improve their access to finance and also enable a switch from expensive informal finance to formal sources. The primary beneficiaries of the project are the PNB Housing Finance Corporation (PNBHF). The proposed project will improve access to housing finance by encouraging lending to the low income sub-borrowers, with a focus on under-developed states.

2. Impact channels and expected systemic changes. The project will contribute, through increased access to formal housing finance sources, to an increased savings potential and better quality of life of the beneficiary households. The improved housing conditions will also have significant benefits on health through improved water supply and sanitation and increase safety and provide dignity, especially to women. By supporting the expansion of housing finance market and enabling more low income people to own homes with improved living conditions, the project will contribute to creation of more livable cities and help stimulate and diversify the economy.

3. Focus of (and resources allocated in) the PPTA or due diligence. India suffers from an acute shortage of housing. According to the Ministry of Housing and Urban Poverty Alleviation, the estimated housing shortage in India was close to 60 million in 2012, of which 18.8 million were in urban areas. Housing shortages are heavily skewed towards the poor socio-economic groups. ADB adds considerable value by improving access to finance for borrowers in underserved regions and in the informal segment. The project will promote financial sector development through the provision of longer-tenor funding, which is currently available only on a limited basis for housing finance companies, and which is needed to provide longer tenor, more affordable housing loans. The project will be in compliance with local laws and regulations as well as the requirements of ADB's SPS and other social dimensions on gender and core labor standards.

4. Specific analysis for policy-based lending. N/A

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Some gender elements (SGE) is anticipated during proposed project. Poor households, largely involved in the informal sectors of the economy and especially those headed by women, have traditionally been excluded from accessing finance such as housing finance from formal public and private financial institutions. Lack of access to financing options for homes has resulted in a significant majority of the poor urban households living in substandard conditions with lack of access to basic services including water supply and sanitation. The brunt of these impacts is borne by women and is compounded by the insecure tenure status and issues of women safety and crime.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? The proposed project is anticipated to incorporate gender measures such as (i) targeting at least 30% of the new home loans, to have titles to women or joint titles including names of both husband and wife; and (ii) maintaining and reporting gender segregated customer information.

Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The proposed project is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group, including women, from benefiting from the investment.

Yes No Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Potential stakeholders include PNBHF staff and their low-income households who will seek, receive, and utilize housing finance from PNBHF, including women borrowers, national and local government, regulatory agencies. The participation of stakeholders and beneficiaries will be included in the distribution capabilities as PNBHF currently has a network of 38 branches, but intends to expand by other 7-8 branches during FY2016.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Consultation meetings will be conducted by the PNBHF with the relevant stakeholders, including the poor and vulnerable groups amongst low-income households at the branch network.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? The level of civil society organization participation in the project design is on the information sharing at the branch level.

H Information generation and sharing H Consultation L Collaboration N/A
 Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be included in the PNBHF distribution capabilities.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The proposed ADB project will have no impact on involuntary resettlement as PNBHF will not finance real estate development or massing housing construction. PNBHF will only onlend in the form of mortgage loans to individuals. Sub-loans classified as categories A and B for IR will be disqualified for financing.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? No further action is required

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No The project is not expected to entail any significant impact on indigenous peoples.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No The project will not have significant impacts on Indigenous Peoples. Sub-loans classified as categories A and B for IP will be disqualified for financing

3. Will the project require broad community support of affected indigenous communities? Yes No Please explain.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? No further action is required

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

H Creating decent jobs Adhering to core labor standards Labor retrenchment

Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability

Increase in unplanned Migration Increase in vulnerability to natural disasters Creating political instability

Creating internal social conflicts Others, please specify _____

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design?
Number of women borrowers will be increased at least 30%.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes No If no, please explain why. There is no PPTA under private sector project but the client will mobilize competent staff to cover social dimension issues.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Due diligence will be undertaken by staff.