

 Early Warning System

ADB-59387-001

Inclusive Affordable Housing Finance Project



Quick Facts

Countries	Bangladesh
Financial Institutions	Asian Development Bank (ADB)
Status	Proposed
Bank Risk Rating	C
Borrower	Government of Bangladesh - Ministry of Finance
Sectors	Construction, Finance
Investment Type(s)	Loan
Investment Amount (USD)	\$ 100.00 million



Project Description

According to the Bank's website, the project addresses the core market failures that prevent scaling-up of inclusive, affordable housing finance solutions for low- and middle-income households, with a particular focus on access for women. The project envisages three key solutions:

1. Credit line for innovative, inclusive, and affordable housing finance solutions.

A proposed \$100 million financial intermediation loan will be used to fund a credit line to be established through PKSf in local currency to fund subloans to the target low-income beneficiaries, particularly women through eligible MFIs. Specific features include:

(i) Provision of three types of housing loans: for (a) new construction, (b) extension of existing homes, and (c) repair/maintenance.

(ii) Loans will be collateral-free to be provided to qualifying beneficiaries with at least 80% going to women through qualifying MFIs.

This project is fundamentally an incremental housing pathway, where households improve or extend their homes progressively, rather than through a one-time mortgage for major construction. If approved, it could become ADB's first dedicated housing microfinance operation (use of proceeds defined specifically for housing) through a financial intermediation loan (FIL) modality. In many emerging markets, where an estimated 80-90% of construction happens incrementally, housing microfinance is often a better product-market fit than traditional mortgages, which typically reach only the top 20-30% of more formal, higher-income segments.

The credit line will enable the participating MFIs to extend longer term financing (with tenor of at least 5 years), which is currently unavailable in the microfinance sector serving the target beneficiaries. During project tenor, partner MFIs are expected to mobilize their own financing on top of funds mobilized through the credit line. Moreover, beyond the project tenor and subject to establishing a sustainable affordable housing financing model, MFIs may continue (or even scale up) affordable housing finance operations using their own capital. Further, subject to establishment of such a sustainable model, MFIs beyond existing partners, local banks and non-bank financial institutions may also enter the market with respective private capital depending on their risk appetite, liquidity, and business strategy.

This FIL will help scale up new innovative ways of providing affordable housing finance by (i) operationalizing collateral-free housing loans tailored for low and middle-income households and thus addressing the barrier of traditional mortgage requirements, (ii) building institutional capacity of PKSf and participating MFIs to design, deliver, and manage long-tenor housing finance products, and (iii) embedding an integrated risk management tool to strengthen portfolio quality and mitigate credit risks as well as strengthening climate resilience through better deployment of partner MFIs and PKSf risk management funds through parametric, science-based triggers. In addition, the project will address supply-side elements of the housing value chain by ensuring that disaster- and climate-resilient construction principles are applied to each supported house. This will consider the availability of appropriate construction materials in local markets and improve access to design and budgeting services through technical staff from government agencies or local nongovernmental organizations. Construction supervision and housing quality assessments will be strengthened across PKSf partner MFIs' branch networks. Lending products will be structured so that subsequent tranches are released only after successful completion of defined milestones and quality checks verified by qualified engineers or experts.

2. Strengthening Capacity to Address Housing Supply and Demand Gaps with a Focus on Women.

Capacity building will be provided to partner MFIs, PKSf, and women borrowers to include: (i) institutional strengthening for PKSf and MFIs to improve governance, risk management, and operational efficiency and embed market-based pricing; (ii)



Early Warning System Project Analysis

Environment: C

Involuntary Resettlement: C

Indigenous Peoples: C



Investment Description

- Asian Development Bank (ADB)

The financing amount is \$100,000,000, which will be financed on a loan basis by ADB's ordinary capital resources.



Contact Information

No contacts available at the time of disclosure.

ACCESS TO INFORMATION

You can submit an information request for project information at: <https://www.adb.org/forms/request-information-form>

ADB has a two-stage appeals process for requesters who believe that ADB has denied their request for information in violation of its Access to Information Policy. You can learn more about filing an appeal at: <https://www.adb.org/site/disclosure/appeals>

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: <http://www.adb.org/site/accountability-mechanism/main>.