Report Number: ICRR0021924

1. Project Data

Project ID	Project Name
P119039	IN: Low-Income Housing Finance
Country	**Practice Area(Lead)**
India	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-52830	31-Dec-2018	93,050,362.23
Bank Approval Date	**Closing Date (Actual)**	
14-May-2013	31-Dec-2018	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	93,050,362.23	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Financing Agreement (Schedule 1, page 5) and the Project Appraisal Document (PAD, page 6) is:

"To provide access to sustainable housing finance for low income households, to purchase, build or upgrade their dwellings".

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

A Financial Intermediary Loan (FIL) was used as the lending instrument for this project, with three components (PAD, pages 7 -9).

1. Capacity Building. The estimated cost at appraisal was US$2.00 million (US$1.32 million through IDA Credit and the balance through counterpart funding). There was no IDA financing for this component at closure, as the IDA financing for this component was reallocated to component two activities (discussed in section 2e). This component was eventually financed completely through counterpart funding. This component aimed at strengthening the capacities of the National Housing Bank (NHB - an apex institution established by an Act of Parliament in 1988, for providing housing finance) and the Qualified Intermediary and Primary Lending Institutions, for developing new financial products, loan standards, and risk management tools for catering to the needs of low-income households. This component also envisioned financing an impact assessment for assessing the social and household level impacts of housing finance for low-income households.

2. Financial Support for Sustainable and Affordable Housing. The estimated cost at appraisal was US$97.00 million (to be financed by the IDA grant). The actual IDA financing for this component was US$100.00 million. The actual financing was higher than appraised, due to the reallocation of funding between components. This component provided a liquidity facility to the NHB for refinancing (either directly or indirectly through Qualified Intermediary and Primary Lending Institutions), affordable housing loans for purchasing/building/upgrading the dwellings of low-income households.

3. Project Implementation. The estimated cost at appraisal was US$1.00 million, to be funded by IDA. There was no IDA funding for this component at closure, as Bank financing for this component was reallocated to component two activities. This component was financed through counterpart funding. This component provided financing for setting a Project Implementation Unit (PMU) within NHB, to assist in implementation, monitoring and evaluation, grievance redressal and overseeing social and environmental aspects.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The estimated cost at appraisal was US$100.00 million. The actual cost was US$93.05 million.

Project financing. An IDA credit of US$100.00 million was approved for the project. Amount disbursed US$93.05 million. According to the information provided by the team, due to exchange rate fluctuations, the value of the credit of US$100.00 was reduced to US$93.05 million in US$ terms and the IDA credit was fully disbursed in SDR terms.

Borrower contribution. Counterpart funding from NHB was estimated at US$3.00 million at appraisal. The team clarified that counterpart funding from NHB was approximately US$0.19 million - about 13 million Indian Rupees (INR).

Dates. The project was approved on May 14, 2013, became effective on November 2013, and closed as scheduled on December 31, 2018.

Other changes. The proposed IDA grant for components one and three activities were reallocated to component two activities through a Level 2 restructuring on December 3, 2018. With this, the IDA grant was entirely used for funding component two activities and components one and three activities were financed by the NHB.

3. Relevance of Objectives

Rationale

Country context. Urban population in India was estimated at 377 million in 2011. This represented an increase of 91 million between 2001 and 2011, and was projected to increase to 600 million by 2031. There was a severe shortage of urban housing, particularly for low-income households in the informal sector, with a third of them living in slums. The lack of access to housing finance for low-income households from the formal banking sector, disincentivized the developers from building affordable "decent" housing (defined as housing that met the requirements of the United Nations Habitat Guidelines, in terms of structural quality and basic services- such as availability of water, sanitation and electricity). Developing customized financing instruments tailored to the needs of low-income households in urban areas, was important to the government strategy.

Government strategy. The PDOs were consistent with the twelfth Five Year Plan for 2012-2017. The plan highlighted the need for financial inclusion and addressing urbanization issues. The PDO was well-aligned with the *National Housing for All initiative* launched in 2015. This initiative aimed at providing affordable housing to low-income urban population (defined as those with income below 600,000 Indian Rupees per annum). The initiative had four components: (i) slum development; (ii) providing affordable housing through credit-linked subsidies: (iii) providing affordable housing in partnership with the private sector; and (iv) subsidies for beneficiary-led housing construction.

Bank strategy. The PDOs are well-aligned with the Bank strategy. At appraisal, the PDO was consistent with two of the three strategic engagement areas of the Country Partnership Strategy (CPS) for 2013-2017:

Transformation and inclusion. The inclusion area specifically highlighted the need for financial inclusion, through facilitating access to credit for low-income households (CPS, paragraph 30, page 9). The PDOs are well-aligned with two of the three key focus areas of the current Country Partnership Framework (CPF) for 2018-2022. The first focus area underscored the need for "promoting resource efficient growth" through among other things, "improving the livability and sustainability of cities". The second focus area highlighted the need for "enhancing competitiveness and enabling job creation" through among other things, "increasing resiliency of the financial sector and financial inclusion" and supporting development of credit products for facilitating long-term housing finance to low-income households (CPF, paragraph 31. page 14).

Within the context of the Bank's long history of engagement with India, this project was designed as a pilot to address the market failure caused by the exclusion of low-income households from the housing finance market, due to the lack of access to finance under reasonable terms from the banking system. Although untested in India, this review rates the relevance of objective of this project as substantial, given the strong developmental impact associated with providing affordable housing finance to low-income households.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To provide access to sustainable housing finance for low income households, to purchase, build or upgrade their dwellings

Rationale

Theory of Change. The causal links between activities, outputs and outcomes were logical and the intended outcomes were measurable. Capacity building of the NHB and Primary Lending Institutions (PLIs), was expected to improve their ability to develop new customized financing instruments tailored for the needs of low-income households. Providing housing finance through a dedicated credit line to the NHB for onward lending to low-income households, was expected to improve access to affordable finance for the low-income segment of the population. The outcomes were expected to address the long-term development challenges of financial inclusion of low-income households from the banking sector.

Outputs (ICR, pages 12-19 and pages 33-36)

- With the IDA credit, the NHB set up a Special Refinance Scheme for providing housing finance for low income households. The main features of the scheme were: (a) providing long-term housing finance to low-income households through the PLIs (including state-owned commercial banks, Household Finance Companies, and other institutions that provide housing finance such as, urban cooperative banks, regional rural banks and microfinance institutions); (b) Unlike other housing schemes, there was no interest rate cap in the scheme, to incentivize the PLIs to assume the price and credit risk and provide housing finance for low-income households, through new appraisal methods. Flexibility to set interest rates was expected to help the PLIs assume the inherently greater risk in lending to informal sector households; (c) Under the scheme, the PLIs received funding from NHB, against secured mortgages. The PLIs bore the risk on retail mortgages and provided part of their mortgage loan as collateral for the NHB loan. If any of the loans provided by the Qualified Primary Lending Institutions (QPLIs) were to become delinquent, the PLIs were required to replace these loans with a performing loan. This ensured that the NHB minimized its credit risk to the mortgage market; (d) The refinance interest rate of the NHB at 8.50 - 8.95% was higher than the rates of other NHB schemes at 6.50 - 7.00%, to reflect the higher risk of lending to the low-income segment; (e) The eligible income threshold for loans to low-income households at INR 300,000 was lower than loans from other NHB schemes (such as the Urban Housing Fund Scheme, which had an income threshold of INR 600,000); (f) The scheme extended refinancing not only for loans secured through property collateral, but also alternatively secured loans. The NHB issued one lending guideline for Housing Loans with alternative security arrangements, as compared to the target of two.

- 15,541 informal and low-income households secured housing loans across 17 states under the scheme. 45% of the loan by QPLIs went to low-income households with informal property lines (lack of records) and 95% of the loans went to low-income households with informal income (economic activities that met one of the three criteria: (i) self-employment in a low-income business, profession or occupation: (ii) households with casual, temporary, or multiple jobs: and (iii) households employed in the unorganized sector). The average annual household income of beneficiaries at INR 196,700 was below the project's targeted income threshold INR 300,000. The average loan size INR 435,200 was 2.2 times the average household income, to ensure that the house loans did not push the households into over-indebtedness. The average interest rate for loans under the scheme was 15%, as compared to the average of 27% before the project. Unlike other schemes, the average tenor (the amount of time left for repayment of a loan) was 128 months, or more than ten years.
- Four pilots were launched under the NHB's special refinance scheme as targeted.
- The Social and Environment Due Diligence (SEDD) framework was developed, which set specific requirements for consumer safety of the financed properties, as targeted. The NHB institutionalized the SEDD framework and conducted training and sample-based loan level monitoring as targeted.
- The NHB carried out other reforms for facilitating the PLIs to operate in the informal segment such as, through conducting market-based pilots with the Housing Finance Companies, defining the concept of informal income for the first time in India and providing capacity building activities on risk management and the SEDD framework for lending to informal and low-income households, as targeted.
- Since the traditional credit appraisal techniques were deemed to be inadequate for targeting informal beneficiaries, the Household Finance Companies made upfront investments to upgrade technology for the new lending tools. The ICR (paragraph 19, page 14) notes that one lender, which used the Special Refinance Scheme, invested an amount equal to 0.2% of its asset base in lending technology (a considerably higher amount than other comparable lenders) , in order to have a fully scalable platform with a reduction in customer acquisition and service costs, which facilitated its lending to informal and low-income households through funds from other sources (other than the special refinancing scheme). Field based verification method was adopted by the PLIs (Under this method, lenders send their employees to observe the borrowers on-site, to collect more information about the borrowers' income status and borrowing capacity. This allowed the lenders to more efficiently identify qualified borrowers. According to the information provided by the team, based on field-level data points, an application scorecard and credit risk underwriting model was developed for each beneficiary

occupational profile. This credit model served as a guiding mechanism for underwriters to undertake better risk assessment and thereby obtain optimal pricing for the assumed risk of lending to low-income households with informal incomes. The team also clarified that without such field-based income verification, credit institutions could only rely on credit history or payment stubs, which the informal low-income households lacked.

- Digital technology was used to store identity information, collect and consolidate borrower data by the PLIs.
- The loans made to low-income households were used by the borrowers for purposes ranging from minor repairs and upgrades (costing INR 300,000) to multi-story room new construction (costing INR 600,000).

Outcomes

- The number of primary lenders providing housing finance to the Economically Weaker Section (EWS) and Low-Income Group (LIG) segment of the population, increased from 25 at the baseline in 2013 to almost double (52), exceeding the target of 35.
- The financing provided by the Housing Financing Companies (HFCs), increased from INR 10 billion in 2013 to INR 270 billion in December 2017, with an average loan size of INR 930,000. This facilitated the ownership of 230,000 affordable homes by low-income households.
- The total volume of loans made by HFCs, with an individual loan size below INR 1,500,000 (loans categorized by the HFB as loans for the EWS and LIG segments), increased from INR 268 billion in 2013 to INR 489 billion in 2018, showing a compounded annual growth rate of 13%.
- The total volume of housing loans made by HFCs with individual loan size below INR 500,000, increased from INR 25 billion in 2013 to INR 56 billion in 2018, showing a compounded annual growth rate of 17%.
- Small loans below INR 300,000 to low-income informal households, increased from INR 8.8 billion in 2013 to INR 29 billion in 2018, showing a compounded annual growth rate of 27%.
- The total number of low-income borrowers, with individual loan size below INR 300,000 increased from 105,001 in 2013 to 240,913 in 2018, reflecting a compounded annual growth rate of 18%.
- The total amount of housing loans made for very low-income households with an annual income below INR 120,000, increased from INR 2.6 billion in 2013 to INR 4.1 billion in 2018, showing an annual compounded growth rate of 10%.
- The volume of lending by the PLIs to the EWS and the Low-Income Group (LIG) segments, refinanced by the NHB, increased to INR 98.40 billion, short of the target of INR 155.40 billion. The EWS and LIG segments received loans of INR 127,484 from the PLIs that were refinanced by the NHB, short of the target of INR 759,452. The ICR (paragraph 21) notes that lending by PLIs, refinanced by NHB, grew during the project period, albeit at a slower pace than the broad housing market. The ICR notes that NHB in India plays a catalytic role in providing housing finance, and that most of the funding for housing finance is from private sources, including banks and capital markets.
- The percentage of Non-Performing Loans (NPLs) that were replaced with performing loans by PLIs in the NHB -- a proxy for the NPL ratio of lending to the EWS and LIG segments -- was reduced to 0.86% in 2018 as compared to the target of 1.50%.

Rating
Substantial

OVERALL EFFICACY

Rationale

The project directly provided housing loans to low-income households at lower cost and longer tenor and indirectly supported mobilizing financing for development by crowding-in private sector financing for low-income households and households with informal income. Given that the outcomes were for the most part realized, this review concludes that the project's activities substantially contributed to achieving the PDO.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic benefits. An economic rate of return was not calculated either at appraisal or at closure. The PAD (paragraph 53) notes that the expected benefits of the project were assumed to come from three sources: (1) The macroeconomic impacts were assumed to come from the demonstration effect, from increasing the size of the mortgage market and making mortgage loans to households who hitherto lacked access to housing credit: (2) The financial benefits were assumed to come from strengthening the balance sheets of the qualified primary lending institutions and allowing the lenders to increase the orientation of their portfolio towards mortgage loans to previously underserved households (informal and low-income households); and (3) The microeconomic impact at the household level was assumed to come from improvements in welfare of households who obtain mortgages for affordable houses from qualified primary lending institutions at relatively low interest rates and of those who may benefit from improved access to credit in the future through the project's demonstration effects.

The IDA credit line, supporting the NHB's refinance scheme, focused on serving low-income households and through addressing a market failure caused by informality (ICR, paragraph 25). Before the project, many informal and low-income households were completely excluded from the housing finance market and had to rely on informal money lenders with exorbitant interest rates (around 27%). In contrast, the informal and low-income borrowers under the IDA credit line paid an average interest rate of 15%, for loans with an average maturity rate of over ten years. This meant that the IDA credit line of US$100 million managed to achieve a reduction of at least 12 percentage points in the interest rate paid by the targeted households. The credit line also served households who were not able to obtain financing from the formal banking sector before the project was in place.

The IDA credit line also had a multiplier effect on financing for low-income households. The US$100 million IDA credit for the project, leveraged substantial amount of private sector financing for serving the targeted households, at lower cost and longer tenor. The volume of lending disbursed by the Household Financing Companies for individual loan size below INR 500,000, increased almost double (from INR 25.3 billion in 2013 to INR 55.6 billion in 2018). The ICR (page 41) notes that even assuming that 10% of the total increased disbursement from 2014 to 2018 were mobilized by this project to finance the informal and low-income households, this would amount to INR 81.4 billion (about US$1.2 billion). This conservative estimate meant that an additional US$1.2 billion of affordable housing loans were mobilized by this US$100 million credit to provide financing to households who either were not able to receive financing or had to pay high interest rates for financing before the project was in place.

Administrative and Operational Issues. The ratio of the project preparation staff cost to supervision cost at 0.94 was quite high. However, this was due to the strong preparation work needed by this project and the long timespan of project preparation, given that the project aimed at improving access to finance of low-income households was untested in India and in low-income markets in general. Initial disbursements under the project were slow due to the government's budgetary requirements and procedural issues. These were however rectified by the project midterm and the credit was fully disbursed at closure. Frequent changes in the Project Implementation Unit (PIU) team and NHB management caused delays during implementation. Some activities such as a final impact evaluation and third-party audit of the Environment and Social Due Diligence Framework were delayed and not implemented when the project closed, due to a combination of factors including PIU changes and NHB's preference to complete these activities using internal resources.

On balance, this review concludes that the positive impacts of the project outweigh the implementation shortcomings and rates efficiency as substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the PDO to the government and Bank strategy is substantial. Efficacy of the single objective - to provide access to sustainable housing finance for low income households, to purchase, build or upgrade their dwellings - is substantial, given that the outcomes were for the most part realized. Efficiency is Substantial. Taking these ratings into account, the project's overall outcome is satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Government ownership/commitment. The project activities aimed at addressing the demand side constraints of the low-income housing market (such as improving access to affordable finance from the financial sector). These activities need to be accompanied by activities aimed at addressing the supply-side constraints (such as dearth of land serviced by utilities). The ICR notes that the Government's National Housing for all Initiative includes a comprehensive set of interventions, aimed at addressing supply side constraints. However, the ICR (paragraph 50) notes that addressing supply-side constraints are challenging, given that land governance is under the mandate of state governments in India.

Financial risk. There is financial risk, given the overall increase in Non-Performing Loans (NPLs) in the financial sector (with the overall level of NPLs rising almost three times (from 4.3% in 2015 to 11.2% in 2018). The ICR (paragraph 51) notes that the government is taking steps to improve asset quality of banks and strengthen the balance sheets of financial institutions. There is a risk that if this issue is not properly managed, fast-rising NPLs and financial system instability could significantly reduce the amount of credit in circulation, thereby undermining financing for the nascent low-income housing finance market.

8. Assessment of Bank Performance

a. Quality-at-Entry

This project -- providing Bank financing to primary borrowers belonging to low-income households through a financial intermediary -- was untested, in the country context and other low-income markets. Given this, the project preparation took a long time and the Bank eventually approved the project based on its strong development impact in potentially creating a new market for low income housing finance. The project was prepared based on the lessons from the experience of incumbent primary lending institutions, which were lending to low-income households in India. Lessons incorporated at design, included introducing pilots initially to test lending products (to address issues pertaining to over-indebtedness of borrowers), consultations with potential primary lenders for stronger stakeholder ownership and combining financing to the financial intermediary with technical assistance activities to the NHB and QPLIs. (PAD, paragraphs 38,39 and 40).

Preparatory studies were used for the choice of income threshold for project intervention. The project was prepared in close engagement with NHB, given its strategic role in the housing market in India and the fact that this was the first time the NHB operated a lending project with Bank financing. Several risks were identified at appraisal, including risks associated with over-indebtedness of primary borrowers and moral hazard issues (middle income borrowers concealing income from QPLIs to qualify for financing at better rates).

Mitigation measures incorporated at design, included linkages with credit bureaus and financial literacy campaign for longer term debt obligations and establishing a grievance redressal mechanism for beneficiaries. The implementation arrangements were appropriate, with the PMU housed in the NHB - the implementing agency. (PAD, paragraph 11). The arrangements made at appraisal for safeguards and fiduciary compliance were appropriate (discussed in section 10).

There were minor shortcomings in M&E design (discussed in Section 9a).

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Twelve Implementation Status Results Reports were filed over the project lifetime of five and a half years (averaging two supervision missions a year). The team was proactive in adjusting the income threshold of market-based lending to informal households. The team, with strong support from World Bank management, the country management unit, collaborated closely with the NHB and other stakeholders during implementation. The supervision missions included engagement with lenders in different states (Nagpur, Delhi, Bangalore, Bhopal, Jaipur and Ahmedabad). These visits were coordinated with the NHB's state-level representatives. The supervision team worked closely with the NHB's refinance and credit departments to design the criteria for the Special Refinance Scheme and aided in resolving the issues associated with slow disbursements of funds due to procedural issues, during the initial years of the project. The World Bank team worked closely with International Finance Corporation (IFC) for complementary activities. The IFC complemented the Bank project with capacity building activities for the credit bureau and the mortgage asset registry system. The team also aided in M&E, including by collecting data outside the results framework, and conducting frequent field visits to PLIs and end-beneficiaries.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The key outcome indicators - the increased number of PLIs providing loans to the economically weaker section and low-income segments, the increased volume of lending by PLIs which were refinanced by the NHB, the number of borrowers in the low-income group receiving loans from PLIs refinanced by NHBs and the percentage of replacements of non-performing loans with performing loans by PLIs - were appropriate for monitoring project performance.

A significant shortcoming was that -- given the expectation of the project was to encourage lending to low-income segments from the formal banking system -- it would have been appropriate to add indicators on the total volume of lending and number of loans from PLIs to the informal and low-income households, not necessarily refinanced by the NHB.

The Project Management Unit oversaw monitoring and evaluation, using the National Housing Bank's monitoring systems (PAD, paragraph 44). The project also envisioned an impact evaluation for determining whether the low-income households who borrow from the Qualified Primary Lending Institutions are better off due to the access to finance under the project (and are not worse off due to over-indebtedness),compared to similar households who had no access to formal low-income housing finance (PAD, paragraph 45).

b. M&E Implementation

The ICR (paragraph 41) notes that key project data were regularly reported by the NHB during implementation. The Bank team and NHB made an effort to collect performance indicators that were not included in the results framework, such as the interest rate charged by the PLIs on loans to low-income households and the tenor profile of loans, to better inform the progress of the project. The Bank supervision team also conducted frequent field visits to the PLIs and end-beneficiaries to better understand the mechanics of the low-income housing market.

A significant shortcoming was that the final impact evaluation and third-party audit of the Environmental and Social Due Diligence Framework were subject to delays during implementation and not completed when the project closed. The ICR (paragraph 41) notes that NHB remained committed to completing these activities using its internal resources, when the project closed. According to the information provided subsequently by the team, NHB has initiated the procurement process for the impact evaluation and substantially advance, if not complete, the contracting process by the end of December 2019.

c. M&E Utilization

The monitoring data were used to track performance and identify problems in implementation. The Bank also made a video to capture important lessons from the project. This video was widely disseminated internally within the Bank and externally to the general public.

Given the significant shortcomings cited above, M&E quality is rated modest.

M&E Quality Rating
Modest

10. Other Issues

a. Safeguards

The project was classified as a F1 project (refers to a project where the World Bank finances the financial institutions). One safeguard policy was triggered at appraisal: Environmental Assessment (OP/BP 4.01). An Environmental Assessment was conducted at appraisal to address possible adverse environmental issues (such as housing safety measures). A Social and Environmental Due Diligence (SEDD) framework was developed by the NHB for the QPLIs and publicly-disclosed on the NHB's website, at appraisal. The framework covered: (i) a negative list of locations that were to be excluded: (ii) requirements of basic water supply and sanitation at houses: (iii) exclusion of households involved in negative list of activities; and (iv) positive list of requirements deemed necessary for ensuring structural safety in houses (PAD, paragraph 91).

The qualified primary lending institutions complied with environmental safeguards during implementation, according to the periodic internal audits conducted by NHB. (ICR, paragraph 44). The ICR notes that third-party audit of the SEDD framework was not done, in view of the relatively small size of the audit job. However, audit aspects of the SEDD framework were integrated by the NHB as part of their internal audit, which is to be finalized by the end of the calendar year in 2019. The ICR (paragraph 45) notes that NHB had an institutional mechanism for grievance redressal (Grievance Registration and Information Database System) and a Fair Practice Code for the Household Finance Companies. The companies complied with the mechanisms, according to the NHB's Department of Regulation and Supervision.

b. Fiduciary Compliance

Financial management. A financial management assessment of NHB was conducted at appraisal. The NHB had a robust system for financial management and the assessment concluded that NHB's financial arrangements were satisfactory (PAD, paragraph 76). There was compliance with financial management during implementation (ICR, paragraph 46). Although there were some financial issues in the initial years (such as, non-availability of budget funds to the NHB from the government, disbursement delays due to administrative and procedural bottlenecks of the Department of Financial Services of the Ministry of Finance, non-submission of the first-year audit report), these issues were rectified by December 2015. There were no financial issues since then and most of the audits were submitted ahead of the due date, with no issues raised by the auditors.

Procurement management. An assessment of the procurement management capacity of the NHB conducted at appraisal, concluded that the procurement risk was High, in view of the limited experience of the NHB with donor funded projects. Mitigation measures included hiring an external procurement professional in the Project Management Unit. With mitigation measures, procurement risk was rated as moderate and a procurement plan was prepared at appraisal (PAD, paragraph 83 and 84). The ICR does not report any procurement issues during implementation. The ICR (paragraph 46) states that NHB used in-house capacity for capacity building activities and not external consultants, as per the agreed implementation arrangements at appraisal.

c. Unintended impacts (Positive or Negative)

Several Household Financing Companies included women as co-borrowers or guarantors to secure credit risks (ICR, paragraph 30). Some qualified primary lending institutions offered a discount of 0.5% on the interest rate, if a woman was on the title for the property, due to their improved risk profile and better payment record.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following main lessons from the experience of implementing this project, with some adaptation of language.

(**1) The Bank should encourage innovation and take calculated risks in order to create new markets such as housing finance for informal and low-income households**. The approach of this project was untested in India and other low-income markets and the Bank assumed a calculated risk in approving the project as a pilot for providing housing finance for informal and low-income households.

2) Addressing demand side constraints is necessary but needs to be complemented with supply-side reforms for low-income housing benefits. This project's interventions targeted mainly the demand side constraints of improving access to housing finance. These need to be complemented with supply-side reforms (such as access to water, sanitation and electricity), for sustained improvements in housing for the low-income population.

(**3) The Bank should adopt the Environmental and Social Due Diligence (SEDD) framework as an institutional framework to ensure efficient and sustainable safeguards in housing finance projects.** The experience of this project demonstrated that setting the SEDD framework as an institutional framework between the NHB and the PLIs, combined with sample-based loan-level monitoring can be an efficient and sustainable way to ensure compliance with environmental and social safeguards.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written and clear. It provides a good description of the way the project activities addressed a market failure of lack of access to finance to the low-income segment of the population from the formal banking sector. .The ICR is also candid in acknowledging the contributions of the International Finance Corporation. The ICR's ratings is generally consistent with the guidelines and the ICR draws reasonably good lessons from the experience of implementing this project.

The ICR at several points in the text (Table 1, page 9 and Annex 3, page 40) refers to financing in terms of Special Drawing Rights (SDR) terms and not in US$ terms as required. This issue was however clarified by the team.

a. Quality of ICR Rating
Substantial