

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

### 1. Project name

**Country:** Republic of the Union of Myanmar (Myanmar)

**Project name:** Housing Finance Development Project

**L/A signing date:** March 29, 2018

**Approved funds:** 15,000,000,000 JPY

**Borrower:** The Government of the Republic of the Union of Myanmar

### 2. Project background and necessity

#### (1) Development accomplishments and issues in housing sector of Myanmar

Since its democratic transition and economic liberalization in 2011, Myanmar has achieved high growth at a level of 7 to 8.5%. This has been accompanied by rapid population increase and shortage of housings in major cities. Based on the “A Strategic Urban Development Plan of Greater Yangon” which Japan International Cooperation Agency (JICA) assisted to update in 2017, the population of the Greater Yangon is estimated to increase to approximately 11 million in 2040 from 5.5 million 2014. It is also estimated that provision of 1.2 million housings is necessary until 2040. Department of Urban and Housing Development (DUHD), which has responsibility over housing development, has developed housing policies such as National Housing Development Bill and Housing Master Plan. DUHD stated a plan to provide citizens, especially for low- and middle-income households, with one million houses by both of public and private suppliers until 2030. DUHD is also going to construct 36,000 houses within the five-year period from 2016 to 2020. Moreover, in the Master Plan, DUHD’s goal is “to provide healthy and sanitary houses to all households,” with following measures: (1) Supply of housing and residential property for low income households, (2) Strengthening the purchasing power of middle-income households for housing, and (3) Reduction in housing costs and enhancing quality of housing.

In 2013, Construction and Housing Development Bank (CHDB) was established especially for provision of housing finance as semi-government bank. However, due to insufficient funding with long-term and low-interest rate, the number of housing loans actually provided by CHDB has been limited. Although several private financial institutions also provide housing loans, the number of housing loans and their operations are very limited because of a lack of proper registration system for mortgages as well as a lack of funding with long-term and low-interest rate.

There are also issues with the quality of housing. Although there is a guideline regarding structural design of buildings (Myanmar National Building Code), it has no legal force, and no laws to require earthquake-resistant design or fire prevention facilities, etc.

## **(2) Development policy and the role of the project in housing sector of Myanmar**

In the Master Plan, DUHD establishes three priorities: (1) Supply of housing and residential property for low income households, (2) Strengthening the purchasing power of middle-income households for housing, and (3) Reduction in housing costs and enhancing quality of housing. The project aims to expand housing loans for low- and middle-income households via “two-step loans,” not only contributing to (1) and (2), but also to (3) by including earthquake-resistance in a standard of houses to be financed and by supporting to draft a housing design that satisfies the standard.

## **(3) Cooperation policies and achievements of Japan and JICA in the housing sector of Myanmar**

The Japanese policy on economic cooperation with Myanmar, formulated April 2012, includes “support for the improvement of the people’s lifestyles (including regional development).” Additionally, the Japan-Myanmar Cooperation Program announced in November 2016 features “urban development / urban transport” as one of its nine pillars, and its detailed project list includes “support for training programme of housing and urban development and functional enhancement of housing finance” as well as “support for implementation of affordable housing in Yangon city”. The project is in line with the above policy, as this project aims to promote housing supply toward low- and middle-income, thereby improving living standard of citizens among and promoting proper housing development.

## **(4) Other aid organizations**

Asian Development Bank (ADB) provides advisory work to Yangon Region Government regarding privately funded infrastructure developments (including housing development). ADB also plans to conduct studies and provide advisory work regarding housing financing systems also for Yangon Region Government (as of Sept. 2017).

Since 2015, UN-HABITAT has worked with JICA to provide assistances for housing development to improve living standard of poor and vulnerable communities living in slum area via the “Emergency support to poor and vulnerable communities affected by disaster and conflicts in Myanmar”, as an international collaborative grant aid project. In addition, UN-HABITAT provides the Yangon Region Government with advisory works on microfinancing aimed at helping slum residents purchase houses.

## **(5) Necessity of the project**

As per the above, this project is in line with Myanmar’s development policies and Japanese aid policies. The project also contributes to the improvement of living

standards of low- and middle-income households and to proper urban development, thereby contributing to SDGs Goal 11 (“Make cities and human settlements inclusive, safe, resilient, and sustainable”). Therefore, it is highly necessary for JICA to provide support for the implementation of the project.

### **3. Project overview**

#### **(1) Objective**

The objective of this project is to promote supply of housing to low- and middle-income households by providing housing loans through participating financial institutions, strengthening the capacity of the institutions and relevant organizations, and developing a housing finance system, thereby contributing to an improvement in the living standard of citizens and to the development of the housing sector in Myanmar.

#### **(2) Project site / Target area name**

All of Myanmar

#### **(3) Project overview**

##### 1) Two-step housing loans:

- (a) Provides households buying a home with a long-term housing loan that has a repayment period of 15 years or more. The loan interest rate faced by the end-user is +0.5% the minimum deposit interest rate (as of the end of September 2017, this is 8.5%).
- (b) In the early stage, for the smooth and rapid implementation of the project, CHDB will provide housing loans to households purchasing houses that DUHD is currently designing and/or constructing in Yangon and are confirmed to have a certain level of quality, for which the absence of a proper registration system of mortgages will not be a problem (up to 60% of the lending amount for two-step housing loan).
- (c) Furthermore, it is assumed that once the new housing design with improved earthquake and fire resistance are created with the technical assistance of the consulting services to be described below, housing loans will also be provided for DUHD’s houses built based on this design.
- (d) Additionally, once quality of houses built by Yangon City Development Committee (YCDC) and other local governments are confirmed, it is assumed that housing loans will also be provided to households purchasing such houses as well.
- (e) Finally, it is assumed that housing loans will also be provided by private

financial institutions in addition to CHDB as PFIs when necessary environment for their participation has been established through the technical assistance of consulting services.

- 2) Consulting services: Support for implementing this project, support for personnel development at executing agency / PFI, support for the development of housing finance system that includes a mortgage system, support for the design and construction of higher-quality housing, support for personnel development at Ministry of Construction and relevant institutions, etc.

**(4) Total project costs**

15,932,000,000 JPY (of which 15,000,000,000 JPY is for yen loan)

**(5) Project implementation schedule**

Scheduled for March 2018 through December 2022 (total of 58 months). The project will be concluded once the two-step loans are concluded in December 2022.

**(6) Project implementation framework**

- 1) Borrower: The Government of the Republic of the Union of Myanmar
- 2) Guarantor: None
- 3) Project-implementing body: Myanma Economic Bank (MEB)
- 4) Operation / Administration / Maintenance / Management: MEB. MEB is responsible for project management and administration. MEB is a nationally owned bank under the umbrella of the Ministry of Planning and Finance, which is responsible for compiling the budget. Ministry of Planning and Finance and MEB will prepare the national budget for administrative costs and other expenses necessary for the implementation of this project.

**(7) Environmental and social considerations / poverty reduction / social development**

- 1) Environmental and social considerations
  1. Category: C
  2. Basis for categorization: The project has been determined to have minimal undesirable impact on the environment as per the JICA Guidelines for Environmental and Social Considerations (published April 2010).
- 2) Promotion of poverty reduction: It was agreed between the parties that if a household satisfies monthly income requirements and other conditions during the underwriting of households, single-parent or any other minority households will not be treated with disadvantage. For this reason, the project is categorized

as a “project that demonstrates sensitivity regarding poverty-level households.”

- 3) Social development promotion (gender perspectives, AIDS and infectious disease countermeasures, participatory development, consideration for the disabled, etc.):** Because it was agreed between the parties that any minority households will not be treated with disadvantage, this project is categorized as a “Gender informed project.”

- (8) Collaboration with other donors, etc.:** ADB is considering providing advisory work to Yangon Region Government and DUHD regarding housing finance system from the latter half of 2018, and thus JICA and ADB will collaborate so as to synergize with the assistance provided by the consultants in this project.

#### 4. Project outcomes

##### (1) Quantitative outcomes

###### 1) Outcomes (Operational / effectiveness indicators)

Indicator name	Reference numbers (actual 2017 results)	Target numbers (2024) [2 years after project completion]
Number of sub-loans financed in this project	- (Note 1)	13,200
Number of houses built based on new design with improved earthquake and fire resistance	-	4,800

(Note 1) The number of housing loans financed by the CHDB from Jan. 2016 through Dec. 2016 was 239.

##### (2) Qualitative outcomes

Improvement of housing finance system, improvement of design review and housing inspection systems, improvement of housing quality, development of housing sector, improvement of living standards of citizens, etc.

##### (3) Internal rate of return

Unable to calculate because sub projects are not identified.

## **5. External conditions / risk controls**

None.

## **6. Lessons from similar past projects and how those are applied to this project**

### **(1) Lessons from similar projects**

In the post-project evaluation results of the “ASEAN-Japan Development Fund, Industrial and Support Services Expansion Program” for the Republic of the Philippines (evaluation year FY1999), training provided to PFI staff was judged to have contributed to technical improvements in the PFIs’ financing of SMEs, especially regarding project financing. The lesson from this project was that technical support for implementing bodies and related organizations is an effective way of helping to achieve streamlined, smooth management of development lending through the banking system.

### **(2) Application of those lessons to this project**

Based on these lessons, this project aims to use consulting services to improve the underwriting and risk management capabilities of PFIs.

## **7. Future evaluation plans**

### **(1) Indicators to be used in future evaluations**

Number of sub-loans financed in this project

Number of houses built based on new design standards with improved earthquake and fire resistance

### **(2) Timing of future evaluations**

Two years after project completion.