

Constructing and Financing  
**AFFORDABLE  
HOUSING**  
across  
**ASIA**



Kuala Lumpur | April 2-3, 2019

*Solutions for Safe, Adequate, Affordable Housing for All*

# PPPs IN AFFORDABLE HOUSING



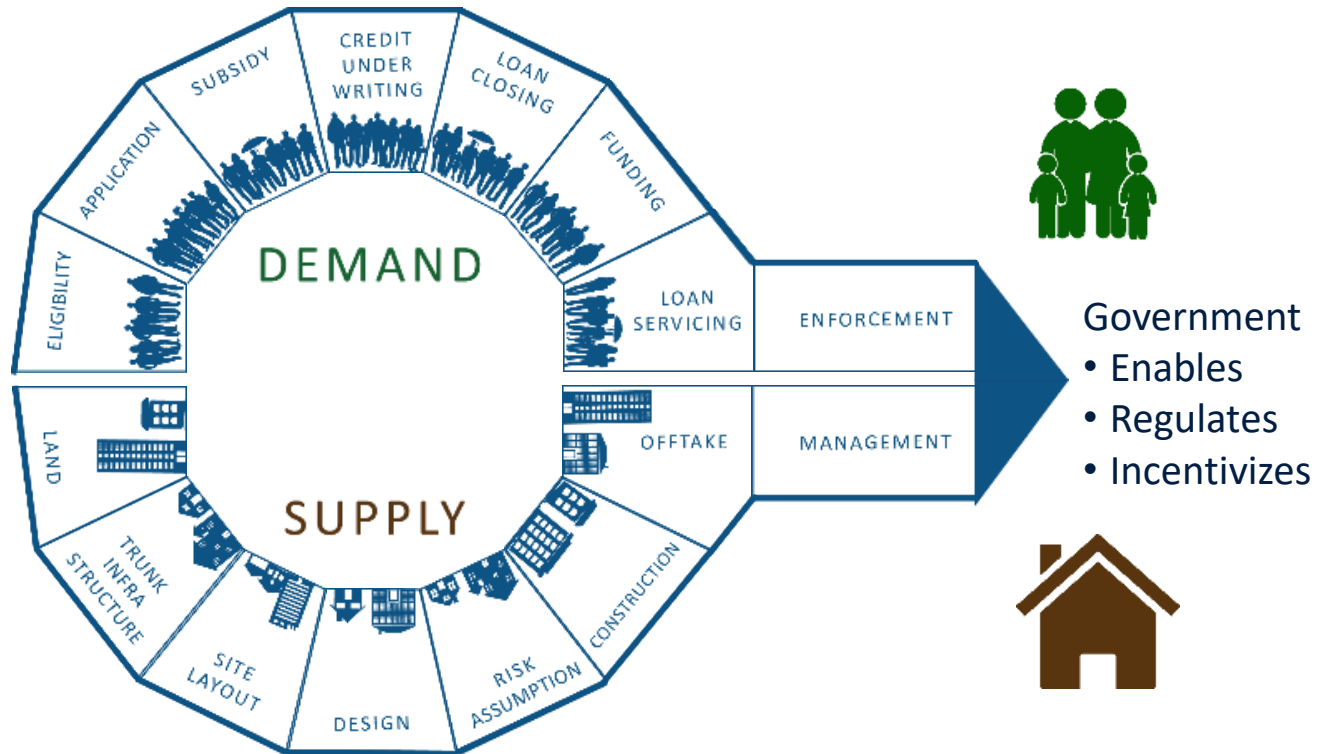
**IFC**

**International  
Finance Corporation**  
WORLD BANK GROUP

April 3, 2019

# AFFORDABLE HOUSING ECO-SYSTEM

- Multiple stakeholders
- Each relies on the next
- Always an opportunity to improvise the chain



Supply Side Issues	Demand Side Issues
<ul style="list-style-type: none"> <li>• Suitability of project site</li> <li>• Availability of trunk infrastructure</li> <li>• Limited appetite for affordable housing projects</li> </ul>	<ul style="list-style-type: none"> <li>• Affordability of the weaker section</li> <li>• Availability of home mortgage products / low mortgage penetration</li> <li>• Housing subsidies (cash or non-cash)</li> </ul>

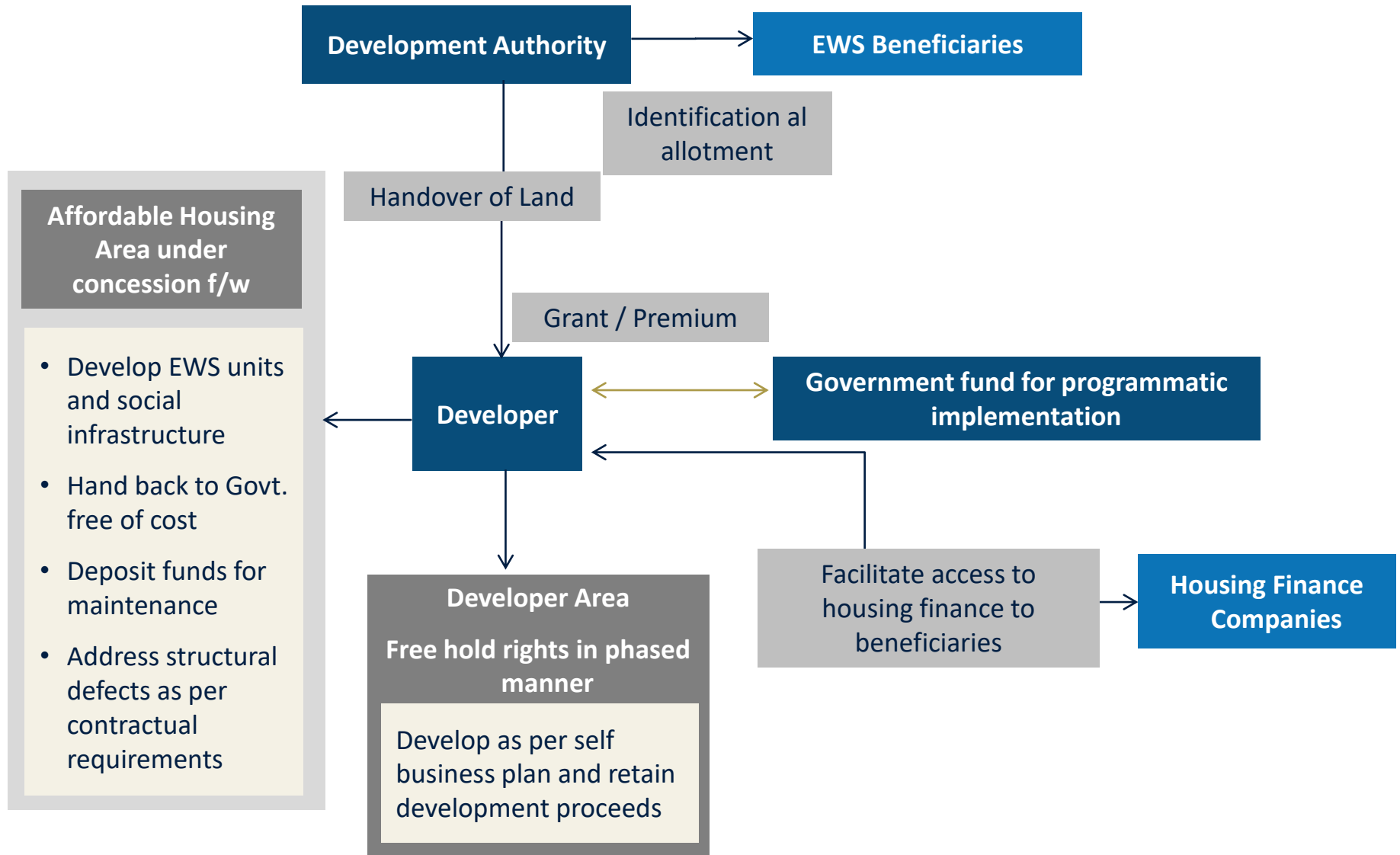
# WHY PUBLIC PRIVATE PARTNERSHIPS?

Housing development under a PPP model can help simultaneously solve several housing sector challenges, and help create a vibrant ecosystem

## Can enable appropriate allocation of risks and responsibilities between stakeholders

	Government	Private sector
Resources provided	<ul style="list-style-type: none"><li>• Land (including viable title)</li><li>• Trunk infrastructure to site</li><li>• Permits and approvals</li><li>• Beneficiary identification and allotment of housing stock</li></ul>	<ul style="list-style-type: none"><li>• Design and construction expertise</li><li>• Construction financing</li><li>• Performance oriented development</li></ul>
Benefits realized	<ul style="list-style-type: none"><li>• Focused development of affordable housing</li><li>• Price caps for affordable housing in line with target households' income levels</li><li>• Limited / no cash outlay</li></ul>	<ul style="list-style-type: none"><li>• Balanced risk sharing</li><li>• Fast and efficient delivery of affordable housing</li></ul>

# TRANSACTION STRUCTURE - PROJECT IN INDIA



# PROJECT FINANCIALS

Description	Amount	Remarks
<b>Project cost</b>	<b>\$75 million</b>	
EWS housing	\$ 22 million	
HIG housing	\$53 million	
<b>Grant required by developer</b>	<b>\$6.7 million</b>	Discovered through competitive bidding
<b>Revenue to Government Agency</b>	<b>\$11 million</b>	
Payment by EWS beneficiary	\$5.5 million	@ \$2000 per EWS house (against construction cost of \$ 8000 - \$ 10,000)
Payment by Government of India	\$5.5 million	@ \$2000 per EWS house
<b>Net benefit to government</b>	<b>\$ 3.4 million</b>	

***Project sustainability – Factor of construction costs, housing demand, market value of land***

# **BENEFITS OF PPPs**

- Cross subsidization of affordable housing units
- Timely project completion
- Good quality construction
- Ring fencing of cashflows
- Access to housing finance
- Replicable model

# IFC'S VALUE PROPOSITION

IFC can assist the government agencies in establishing efficient business model for development of affordable housing projects under PPP framework through two phased approach

## PHASE 1 – DUE DILIGENCE AND TRANSACTION STRUCTURING

TECHNICAL FEASIBILITY
<ul style="list-style-type: none"><li>• Assessment of demand and supply</li><li>• Assessment of cost of development, sale prices</li><li>• Review of building bye laws and development norms</li></ul>
LEGAL AND REGULATORY ASSESSMENT
<ul style="list-style-type: none"><li>• Review of applicable laws</li><li>• Identification of incentives, if any</li></ul>
FINANCIAL ANALYSIS
<ul style="list-style-type: none"><li>• Assessment of project viability</li><li>• Assessment of debt servicing, returns</li></ul>
INVESTOR CONSULTATION
<ul style="list-style-type: none"><li>• Risk allocation</li><li>• Engagement with credible investors</li><li>• Roadshows</li></ul>



• Based on the findings of Phase 1, IFC will prepare a Transaction Structure Report (TSR) for approval from Government.

• TSR will comprise of project structure, terms of bid documents and bidding strategy.

• Post the approval of TSR, IFC will move to Phase 2.



## PHASE 2 – BID PROCESS MANAGEMENT

PREPARATION OF BID DOCUMENTS
<ul style="list-style-type: none"><li>• Formulation of timelines and qualifications</li><li>• Define Performance Obligations</li><li>• Draft shared with potential investors</li><li>• Organize Pre-bid conference</li></ul>
MARKETING
<ul style="list-style-type: none"><li>• Coordinate investor visits to obtain feedback on bid documents</li><li>• Respond to investor queries &amp; comments</li></ul>
BID PROCESS
<ul style="list-style-type: none"><li>• Launch of a transparent bid process</li><li>• Evaluation of bids</li><li>• Identification of preferred bidder</li></ul>
PROJECT AWARD AND SIGNING
<ul style="list-style-type: none"><li>• Issue of Letter of Award</li><li>• Signing of Contract</li></ul>

**Thank you**



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