

World Bank Loan for Tamil Nadu Housing Sector Strengthening Program

July 1, 2020

The Centre, the State government and the World Bank signed an agreement to provide loans from the International Bank for Reconstruction and Development (IBRD) to help low-income groups acquire affordable houses.

World Bank Loan

The loans for housing would be given under two projects – ₹1,510-crore first **Tamil Nadu Housing Sector Strengthening Programme** and ₹377-crore **Tamil Nadu Housing and Habitat Development Project**. These two projects aim at strengthening the State's housing sector policies, institutions, and regulations. The \$200 million and \$50 million loans from the IBRD, have a **maturity of 20 years, including a grace period of 3.5 years.**

The first operation would support the State government's ongoing efforts to **increase the availability of affordable housing** by gradually shifting the role of the state from being the **main provider to an enabler**. It will also aim to **unlock regulatory barriers and incentivize private sector participation** in affordable housing for low-income families.

The second operation will look to deepen these measures to make the affordable housing sector **more efficient and inclusive**. It also supports innovations in housing finance and strengthens housing sector institutions in the state. It will finance the newly created **Tamil Nadu Shelter Fund (TNSF)** – an innovation in housing finance in India – by providing an equity contribution of \$35 million. This initial support to TNSF will enable **cross-subsidization** opportunities where

higher returns from commercial and high-income developments will compensate for lower returns from affordable housing.

[Nearly half of Tamil Nadu's population is urban, and this is expected to increase to 63% by 2030. An estimated 6 million people are currently living in slums (representing 16.6% of the state's urban population)].