

**INDIA**  
**LOW INCOME HOUSING FINANCE PROJECT**  
**Request for Expressions of Interest (REOI)**  
**Third Party Social and Environment Audit (TPSEA)**  
**Credit No.: 5283-IN**

Reference No.: LIHF-5-SBCC-CF-\_\_\_\_\_

Date: 14/02/2014

1. The Government of India has received financing from the World Bank toward the cost of the Low Income Housing Finance Project, and intends to apply part of the proceeds for consulting services.
2. The consulting services (“the Services”) includes determining the Project’s conformity with the Social and Environmental Due Diligence (SEDD) requirements in lending operations by Primary Lenders and refinancing by NHB. The assignment also includes recommendations on improvements in the SEDD framework of the project, if necessary, and document any good practices identified in the project. The assignment will run for a period of 48 months and will cover a number of areas including process audit, technical audit and institutional strengthening.
3. For detailed scope of activity / the draft Terms of Reference (TOR), the firm to visit NHB’s website – [www.nhb.org.in](http://www.nhb.org.in).
4. The National Housing Bank now invites eligible consulting firms (“Consultants”) to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services.
5. Major criteria for shortlisting are:
  - a) The firm should have an experience in undertaking similar assignments, should have adequate knowledge of Environmental Laws / social laws /regulatory policies and procedures w.r.t. Social and Environmental Due Diligence (SEDD); Knowledge of laws and by-laws w.r.t. assessing compliance with regulatory, environmental and social requirements, experience in facilitating control of environmental practice by a company’s management and placing environmental & social information in the public domain.
  - b) The firm should be prepared to work on site with NHB / PLIs to fully document their lending processes, which will involve extensive field work across the country.
  - c) The firm must have expertise in environment audit & social audit; environmental & social compliance audits; environmental site assessments, environmental & social risk assessments including safety and health aspects, Environment Management Systems (EMS) gap assessments, EMS audits w.r.t. housing, etc.
  - d) The firm must have experience in socio-economic and gender assessment, labour monitoring / human rights / resettlement and indigenous people.

- e) Firms having worked in SEDD of affordable housing finance / housing for lending to households having informal sector income shall have added advantage.
  - f) The firm must have a number of senior experts viz. Social Specialists, Environment Specialists. It should have persons with knowledge of urban poverty, slums and housing; and the skills to design and manage a rigorous audit and write a cogent report. It should include sufficient number of experts and research persons so as to complete the annual audits within 2 months from the time of commissioning.
  - g) The firm should also include as part of its team, experts having international expertise, to bring in best practice and experience from other markets where lending to the informal sector may be better developed.
  - h) Firms having worked with multilateral donor agencies like World Bank / ADB / or other similar organizations, particularly in housing sector and / or capacity building sector (national / international), shall have added advantage.
6. Interested consultancy firms are invited to submit their Expression of Interest with **a)** firm's profile, **b)** financial details of last three years (only B/s & P/L account **c)** firm's experience in similar assignments (i.e. Third Party Social and Environment Audit) **d)** Other relevant experience of the firm in SEDD etc. **e)** a brief description of key personnel with the firm along with their major expertise. **f)** any other important (& useful) information that the firm would like to highlight.
7. The attention of interested Consultants is drawn to paragraph 1.9 of the World Bank's *Guidelines: Selection and Employment of Consultants [under IBRD Loans and IDA Credits & Grants] by World Bank Borrowers* ("Consultant Guidelines"), January 2011, setting forth the World Bank's policy on conflict of interest.
8. Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications.
9. The consultancy firm will be selected in accordance with the Quality and Cost Based Selection (QCBS) method set out in the Consultant Guidelines.
10. Further information can be obtained at the address below during office hours i.e. 1000 to 1800 hours.
11. Expressions of interest with all relevant information and documents must be submitted/ delivered in a written form to the address below not later than 15:00 hours on 05/03/2015. In the event this last date being declared holiday, due date for submission of above EOI will be the next working day up till same appointed time.

National Housing Bank

Attn: Mr R. S. Garg, Chairman – Project Implementation Unit (PIU)

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# Draft Terms of Reference (ToR)

## India Low Income Housing Finance Project (LIHF)

### Third Party Social and Environment Audit (TPSEA) (LIHF – 5 – SBCC – CF)

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#### 1. Background/objectives of the assignment

##### Objectives

1. To determine the Project's conformity with the Social and Environmental Due Diligence (SEDD) requirements in lending operations by Primary Lenders and refinancing by NHB. The SEDD requirements are clearly indicated in Part I of the Project's Social and Environmental Assessment Report; and
2. To recommend improvements in the SEDD framework of the project, if necessary, and document any good practices identified in the project.

#### 2. Scope of Work

The scope of work involves conducting an independent social and environmental audit of lending operations by Primary Lending Institutions (PLIs), including Housing Finance Companies (HFCs) and Micro Housing Finance Institutions (MHFIs), and of their refinancing by NHB directly or through Qualified Intermediary Institutions (QIIs), under the World Bank-assisted Low Income Housing Finance Project (LIHFP).

The work should cover three key aspects:

- (i) *Process audit* - assessment of the adequacy of the institutional mechanisms of PLIs, QIIs and NHB to implement SEDD, and the process of integrating SEDD provisions into NHB's appraisal processes, and the supervision mechanism for refinancing the Primary Lending Institutions (PLIs);
- (ii) *Technical audit* - technical review to ascertain the quality of compliance with SEDD provisions by reviewing sample cases in the field; and
- (iii) *Good practices* – identification and description of the good practices

Based on the above the audit would recommend measures, as required, to improve the SEDD implementation mechanisms, so that NHB can take the necessary actions in consultation with the World Bank.

The specific activities to be covered by the consultants should include the following.

##### Social

Review of the status of compliance with social aspects of the NHB's, QII's and PLI's appraisal mechanisms, and effectiveness of implementation of the social due diligence criteria, including:

- (a) minimizing settlement level risks so that borrowers are not exposed to the risk of uncertain tenure;

- (b) checking the profile of borrowers and holding discussions with a reasonable sample to ensure that they have not been put at undue risk by provision of loans by PLIs;
- (c) reviewing the practices of PLIs and data on their borrowers to ensure that a 'no discrimination' policy is being followed; this includes gender and socio-religious groups;
- (d) review of NHB's processes for screening and certifying PLIs to ensure that socially diligent PLIs are selected and refinanced;
- (e) Review of information provision, and training and capacity building efforts by PLIs and NHB to ensure their timely, equitable and effective provision.

### **Environment**

Review the status of compliance of environmental aspects of the appraisal mechanism, and implementation effectiveness of application of due diligence criteria, including:

- (a) minimizing settlement level environmental risks such as location of settlements vis-à-vis environmentally sensitive locations;
- (b) access of settlements to water supply and sanitation;
- (c) intent to identify the household activities (mostly, the HH activities relate to livelihood earning) which may pose risk in terms of fire safety and/or health hazards; and
- (d) Structural safety of the physical dwelling, considering the personal safety of their borrowers (as well as the credit risk), reputational risk of the PLIs, and the borrowers.

### **Institutional Aspects**

Review the status of functioning of the Social and Environmental institutional mechanisms agreed as part of the Project, covering:

- (a) Adequacy of professional inputs to oversee the application of SEDD provisions including PLI's capacity to understand and implement the S&E provisions, effectiveness of NHB's appraisal of refinancing proposals, PLI/NHB's supervision efforts, compliance documentation, and technical review of the quality of the social and environmental management under the project;
- (b) Adequacy of capacity building efforts to sensitize the PLIs on social and environmental aspects of the project and its objectives;
- (c) Review the grievance redressal mechanism and verify a 20% sample of cases related to Social and Environment issues, if any, to ascertain the effectiveness of the complaint handling.

Based on the above, the consultants should propose improvements to the SEDD, as needed/desirable; suggest capacity building interventions needed; and document good practices.

### **Timing of Audit**

Third party audits are to be carried out at the end of each year of the LIHF project, and completed within two months of their commissioning.

## **3. Qualifications of Team**

The team should contain at-least one Social Specialist (with a Master's degree in a relevant Social Science, 10 years field experience in the micro-finance sector, and proven sensitivity to gender and social disadvantages) and one Environment Specialist (with a Master's degree in a relevant science and 10 years field experience in the urban environment sector). It should also include persons with knowledge of urban poverty,

slums and housing; and the skills to design and manage a rigorous audit and write a cogent report. It should include as many persons to carry out reviews and field visits at the PLI and QII level and at the NHB as are necessary to complete the work within two months at the level to be agreed at the time of commissioning.