



A HOME  
FOR  
HUMAN  
POTENTIAL



# NEPAL

## IMPACT SUMMARY BRIEF



**THE IMPACT OF REALL'S AFFORDABLE HOUSING INVESTMENTS ON  
QUALITY OF LIFE IN URBAN NEPAL**

**DECEMBER 2020**

## ABOUT REALL'S IMPACT STUDY

Reall is an innovator and investor in affordable housing. Our goal is to build an affordable housing movement that will improve the life chances of 100 million people in urban Africa and Asia by 2030. As a market leader with over 30 years' experience in the international affordable housing sector, Reall knows that quality housing has cross-cutting positive benefits on the lives of families and communities living on low incomes (contributing to 16 of 17 SDGs). To better evidence this impact and identify key lessons to improve effectiveness, Reall recently undertook an ambitious impact evaluation of urban housing projects in four of our priority countries – India, Kenya, Nepal, and Pakistan. Through 1,259 household surveys, along with extensive focus groups, interviews, and site visits, Reall has generated substantive evidence about its housing investments, partners, and clients.

Much of this information captures the profound positive impact of commercially viable housing on the health, wellbeing, and opportunities of people in the bottom 40% of the income pyramid. Through this evidence, Reall contributes new knowledge and catalyses stakeholders to unlock affordable housing solutions at scale in emerging economies.

## NEPAL IMPACT STUDY

Since 2011, Reall has partnered with Lumanti<sup>1</sup> to drive forwards innovative and commercially viable housing models throughout urban Nepal. Together, Reall and Lumanti have unlocked the capital investment and political will needed to supply over 2,000 affordable homes. Reall's impact study research documented the social and economic impacts of this housing on Lumanti customers, surveying 388 households across six projects based in Kathmandu Valley and Pokhara Metropolis. A baseline was established through homeowners recollecting their previous socio-economic circumstances, and how these have changed since moving into their new homes.

## KEY FINDINGS

- Reall and Lumanti have demonstrated commercially viable affordable housing models, using loan guarantees to improve access to formal finance for households on low incomes
- Investments have catalysed wide-ranging positive impacts on residents, with Reall's average Quality of Life Index (QoLI) scores increasing from the baseline of 7.5, to 9.0 out of 10
- Significant increase in 'real' household incomes, increasing between 11% and 32% above inflation, in five of the six project locations
- Increased access to water and sanitation, with a focus on reconstruction post-2015 earthquake, from which 58% of survey respondents saw their homes destroyed
- Affordable housing has had a particularly transformative impact on women, creating new economic opportunities and building empowerment

<sup>1</sup> Lumanti Support Group for Shelter – an NGO committed to the alleviation of urban poverty through improved and affordable shelter.

# THE PROJECTS

## KATHMANDU

### Thecho

Situated in Lalitpur, south of Kathmandu, this project assisted in reconstruction efforts following the 2015 earthquake, by working alongside the Thecho Mahila Jagaran (Women's) Cooperative.

Year Approved: **2018**

Homes Delivered: **25**



### Rental 1

This project provides affordable rental housing for households on low incomes, students and single women.

Year Approved: **2012**

Rentals: **24**

### Machhegaon

Focusing on reconstruction for survivors of the 2015 earthquake, this project provided assistance to members of the Bisnu Devi Mahila (Women's) Cooperative in Kathmandu.

Year Approved: **2018**

Homes Delivered: **54**



### Thankot

This project targeted members of the Thankot Mahila Jagaran (Women's) Cooperative, assisting in reconstruction for survivors of the 2015 earthquake.

Year Approved: **2018**

Homes Delivered: **90**

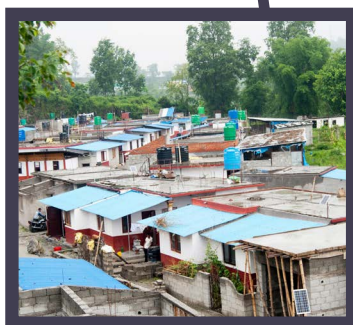
## POKHARA

### Pokhara Housing 1

A relocation project providing permanent housing for rental households on low incomes in Pokhara. Housing loans were offered by Lumanti, to families who were otherwise unable to access formal finance.

Year Approved: **2012**

Homes Delivered: **115**



### Lekhnath<sup>2</sup>

These projects were funded through a local bank, with Lumanti providing a guarantee to reduce risk on loans to clients. Households were able to use the loans to construct new houses, or repair existing ones.

Year Approved: **2012 - 2019**

Homes Delivered: **594**

### Post-Earthquake Response

In 2015, a 7.8 earthquake hit Nepal, destroying more than 700,000 homes and displacing 2.8 million people. More than 100,000 people are still living in makeshift temporary accommodation and many eligible families have not accessed the national government housing grant of NPR 300,000 (USD \$2,500). Reall and Lumanti's housing projects have played a key role in the post-earthquake response, assisting households in accessing the government grant and offering home loans for housing reconstruction or repair.

Of the 388 respondents surveyed, 58% had seen their previous home completely destroyed or damaged beyond repair by the 2015 earthquake.

<sup>2</sup> Includes the projects Lekhnath Housing 1, Lekhnath Housing 2, Lekhnath Bank 1, Lekhnath Bank 2 and Lekhnath.

# COMMERCIAL VIABILITY

In partnership with Lumanti, Reall has successfully developed a number of commercial strategies throughout Nepal, resulting in a revolving fund that has successfully recycled over \$3 million to date.

**TOTAL INVESTMENT INTO REVOLVING FUND:**

**\$2.2m**

**FUNDS DISBURSED TO PROJECT CLIENTS FROM REVOLVING FUND (INCLUDING RECYCLED LOANS):**

**\$5.3m**

## A CASE STUDY: LOAN GUARANTEES

With Reall’s support, Lumanti has unlocked access to the formal banking system for many. In Lekhnath, Lumanti partnered with Kamana Sewa Bikash (KSB) Bank to offer bank loans to clients. Due to perceptions that households on low incomes are risky repayors, access to formal housing finance has previously been limited. This obstacle was overcome through the use of loan guarantees whereby Lumanti accepts half the risk of lending and funds a 50% guarantee.



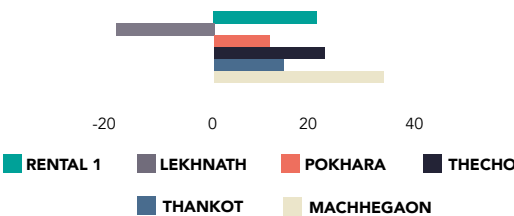
Repayment rates for Lumanti homeowners have been excellent, with the bank reporting that 98% of project customers have repaid their loans within payment schedules. This proves the capacity and manageable risk of customers on low incomes to access finance and create an owned asset. None of the homeowners surveyed had defaulted on a bank loan.

This has encouraged other banks throughout Nepal to move down market. Recently, Lumanti signed an agreement with KSB Bank in Pokhara to trial housing loans of NPR 1 million (USD \$8,400) for twenty project clients. This represents a significant policy change in the bank’s practices, breaking from the previous cap of NPR 400,000 (USD \$3,350) which meant that clients needed additional finance to construct a complete house.

## INCOMES

Reall’s research demonstrates that there has been strong growth in household incomes above inflation for Pokhara Housing 1 and the four Kathmandu Valley projects, showing increases of up to 32% (Machhegaon). Although this growth in incomes is influenced by recent poverty reduction in Nepal, Lumanti’s focussed approach on building the capacity of households to improve their livelihoods has also played a substantial role.

**% SWING IN REAL HOUSEHOLD INCOMES BY LOCATION**



Many focus group participants discussed how training and assistance from Lumanti for the development of small scale businesses had boosted household incomes and ensured loan repayments could be serviced in full and on time. Many homeowners had multiple sources of regular income and had been able to take out further loans to extend and improve their homes. This in turn allowed them to rent out rooms and further increase their incomes.

**HOMEOWNER AND HOUSEHOLD INCOMES HAVE INCREASED IN 5 OF 6 LOCATIONS, WHEN ADJUSTED FOR INFLATION.**

# AFFORDABILITY

Data gathered by Reall indicates that 99% of all households surveyed in Kathmandu Valley were in the bottom 40% of income earners before receiving their affordable housing. In Pokhara and Lekhnath, 59% of households fall in the bottom 40%.

**73%**

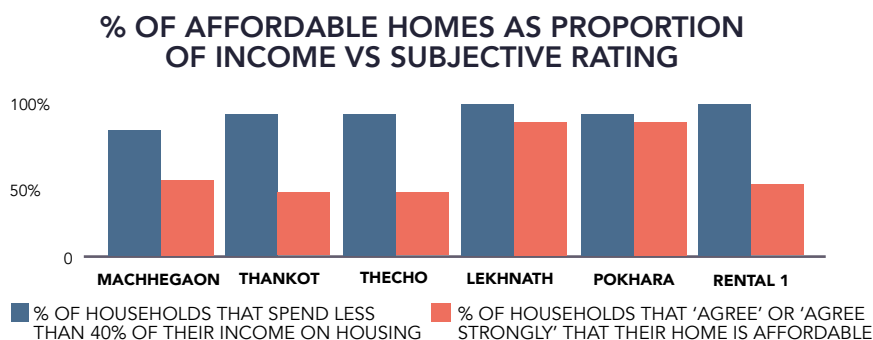
**OF HOUSEHOLDS IN BOTTOM 40**

**9%**

**OF HOUSEHOLDS INCLUDE SOMEONE WITH A DISABILITY**

**4.9**

**MEAN HOUSEHOLD SIZE**



Reall also explored the proportion of household income expended on their housing loan repayments. On average, surveyed households spend 14% of their household income on loan repayments or rent, demonstrating significant success in the affordability of Reall housing. This matches levels of subjective affordability in Lekhnath and Pokhara Housing 1, but contrasts with survey responses for the four Kathmandu projects, where the percentage which 'Agreed' or 'Strongly Agreed' ranged from between 40% and 57%. This reduction is likely a result of those homeowners having to pay monthly loan repayments on their new homes, whereas prior to the earthquake they would have owned their homes outright. Clients in Kathmandu generally received their loans more recently than those in Lekhnath and Pokhara, so have had less time to adjust to this increased housing expenditure.

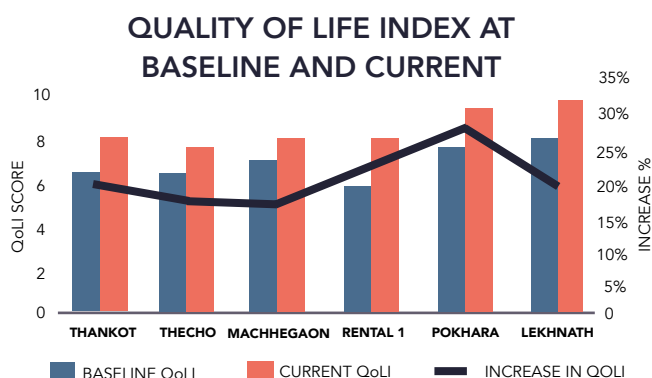
# QUALITY OF LIFE INDEX

To assess the socio-economic impact of Reall's housing investments, Reall has developed a Quality of Life Index (QoLI) to quantify the overall wellbeing of project residents. Using a scoring system from 0-10, it includes data regarding:

- Subjective wellbeing
- Incomes
- Overcrowding
- Affordability
- Access to water and sanitation
- Distance to workplaces, schools and services.

This research demonstrates that QoLI scores improved significantly for surveyed homeowners, with an average increase of 21% across all projects in Nepal.

The baseline score is demonstrative of residents' experiences prior to the 2015 earthquake. Many households, particularly in Thankot, Thecho, Machhegaon and Lekhnath, owned their own homes and, though still lower income, experienced a relatively high quality of life before their houses were demolished or damaged. This is reflected in high baseline scores. Despite this, all projects demonstrated marked improvements in reported quality of life.



**QOLI SHOWED AN AVERAGE INCREASE OF 21% ACROSS SURVEYED PROJECTS**

## WELLBEING

There is a strong association between housing conditions and mental health. Safe, quality, affordable housing conditions help people feel more secure and peaceful, which in turn leads to better social interactions, improved daily routines, and higher sleep quality.

### MEDIAN WELLBEING SCORES



**“I’m very fortunate and am very proud to own my own house. I had never even thought about owning a home. I now get a lot of respect from the community and I’m very well connected in the municipality”.**

**– Balkumai, Homeowner from Pokhara Housing 1**

Reall’s research in Nepal supports this, demonstrating increases in recorded wellbeing across all survey questions. Residents were asked to rate statements that covered mental wellbeing and life satisfaction, both before they received affordable housing and at present, on a 0-10 scale. In particular, ‘satisfaction with life overall’ and ‘life achievements’ saw average 50% increases in subjective ratings, while ‘safety and security’ and ‘feeling part of the community’ were given the maximum rating of 10 in the survey responses.

As with the Quality of Life Index, it is important to note that the baseline scores indicate the level of wellbeing experienced by households when they lived in their previous home. Prior to the 2015 earthquake many residents owned adequate housing with sufficient water and sanitation facilities. As a result the swings in wellbeing are more marginal for the post-earthquake reconstruction projects (Thankot, Thecho, Machhegaon, and much of Lekhnath). In contrast, Pokhara Housing 1 – where households previously resided in overcrowded rental accommodation - saw the largest swings in subjective wellbeing, demonstrating +5 increases for satisfaction with life overall and achievements in life.

## COMMUNITY COHESION

Focus group discussions revealed an increase in community cohesion in the aftermath of the earthquake, with many participants viewing their communities as significantly more connected than before the disaster.

Lumanti has harnessed this connectedness, by channelling its work through neighbourhood level community based organisations or women’s cooperatives. By building the capacity of community leaders, Lumanti identifies those most in need of support. Through this inclusive and highly participatory approach, Lumanti has provided housing to some of the most vulnerable families. This has further improved upon the cohesive nature of local communities and amplified the impacts of Reall and Lumanti’s work.

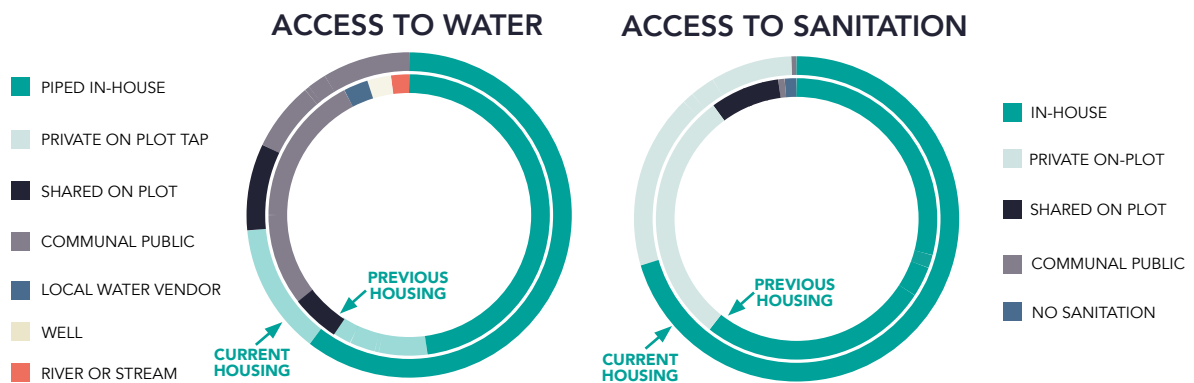
**Namrata, a mother from Thecho, saw her home completely destroyed in the earthquake. She and her family were forced to live in a temporary shelter for several years, with limited access to water and sanitation. When Lumanti identified Namrata as a potential customer for the housing project Thecho, she was initially unable to access the programme due to her family’s limited ability to save. Recognising her need, a cooperative leader chose to guarantee a loan on her behalf, which has now been fully transferred into Namrata’s name since she became financially stable.**

# HEALTH

Housing conditions and the built environment have a profound impact on human health. Overcrowded, low quality housing can drastically increase both exposure to infectious disease and chance of injury, with victims of natural disasters being especially vulnerable. The delivery of quality, affordable housing, with access to clean water and sanitation, has therefore been integral to the post-earthquake reconstruction in Nepal.

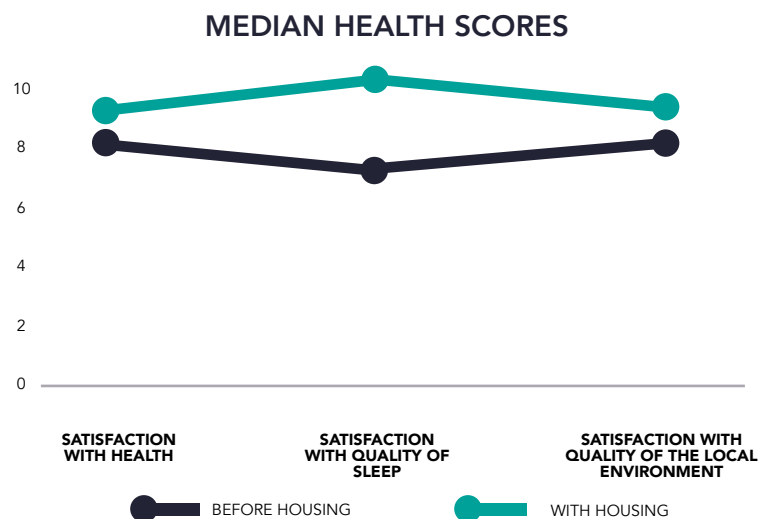
Of all 388 homeowners and tenants surveyed, 48% indicated that they had access to water in their previous homes, with 61% having in house access to sanitation. This however would have dramatically reduced after the 2015 earthquake, in which 58% of those surveyed saw their house demolished.

In focus group discussions many participants reported very limited access to water and sanitation in the temporary shelters made available in the disaster’s aftermath. After receiving loans to repair or construct new housing, private access to water increased to 73%, while private availability of sanitation reached 99%.



**“We were so happy when we moved. The space is enough, it’s easy to move around. When my husband goes out for shopping I still feel very secure.”**

**– Chakra, a blind homeowner from Thecho**



In addition to the supply of clean in-home water and sanitation, the residents also demonstrated increases of up to 43% in subjective health based on survey responses. This indicates a substantial improvement in the health of residents as a direct impact of moving into improved, affordable housing.

# GENDER AND INCLUSION

Reall's data shows that Lumanti's approach, designed and developed around gender inclusion, has had transformative positive impacts on women in Nepal. Many surveyed women reported increased empowerment as a result of the opportunities below:

## FEMALE OWNERSHIP

By channelling much of their work through women's saving cooperatives, Lumanti have made significant steps in improving access to homeownership for women. Of the 364 homeowners surveyed, 61% were female.

This was particularly evident in Thankot and Thecho, where two large and influential women's cooperatives operate.

## NEW OPPORTUNITIES

Of the 29% of homeowners surveyed who had not gone to school, 71% were

women. Home ownership can provide significant opportunities for women who missed out on education, through asset building and by providing the space to build their own businesses.



Kunjani, a young lawyer, was able to attend university to study law after purchasing a house on Pokhara Housing 1. The new home provided the stability needed for her to gain a first class degree. Now Kunjani has opened her own law firm and is applying to study for her Masters abroad.



In addition, affordable homes can improve access to education itself. Data from Rental 1 showed that 83% of the 24 tenants had either completed or were attending college or university, with around half of these being women.

"If I didn't have this house, I would have had to sell my land! I dream of expanding the house upwards to a second floor, renting it out, and putting this money into my son's education."

- Adhinaj, homeowner from Lekhnath Housing 1

## DEVELOPMENT OF HOME-BASED ENTERPRISES

An increasing proportion of households in the informal economy use their homes to generate income. Affordable housing can act as a customer base and provide space for labour. Much of Lumanti's training focuses on developing home-based enterprises, ranging from handicrafts and tailoring, to running shops. Excluding Rental 1, 82% of respondents working in the informal sector rely on their houses for their economic activities, with 45% working directly from their homes.



Balkumai, a single mother, discovered her skill in business after attending Lumanti workshops. She has since built thriving businesses, selling baskets and soap from her home, and earning enough to rent land where she grows vegetables for a profit.

This has been particularly beneficial for women. By moving away from traditional mud brick homes to concrete, women reported finding it less arduous to clean their homes, which has freed up more time to focus on building business and incomes.

## FINANCIAL AND SOCIAL EMPOWERMENT

In working through Women's Cooperatives, Lumanti placed women at the forefront of housing development efforts. Women are encouraged to become active members of a savings group, building financial independence. Focus group discussions reported that saving through these groups had improved their financial literacy and money management, which had in turn built their confidence in household budgeting and saving.

This has resulted in increasing empowerment of women, with improved self-esteem and confidence in their ability to provide a brighter future for their families.