DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The government’s efforts to improve access to housing are supported by several strategic development partners and programs. In summary, support is being provided to expand the supply and reduce the cost of housing and financing solutions for lower- and middle-income households. The table provides a list of the support provided by development partners.

<table>
<thead>
<tr>
<th>Development Partner</th>
<th>Project Name</th>
<th>Duration</th>
<th>Amount ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multisectora</td>
<td></td>
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<tr>
<td>ADB</td>
<td>Housing for Integrated Rural Development Investment Program</td>
<td>2011–2015</td>
<td>500.0</td>
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<tr>
<td></td>
<td>Affordable Rural Housing Program</td>
<td>2017–2021</td>
<td>500.0</td>
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<tr>
<td>IsDB</td>
<td>Construction of Modern Rural Housing Project (Phase II)</td>
<td>2017–2019</td>
<td>300.0</td>
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<tr>
<td>KFAED</td>
<td>Infrastructure for Rural Housing Project</td>
<td>2018–2019</td>
<td>60.0</td>
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<tr>
<td>Saudi Development Fund</td>
<td>Modern Housing Construction in Rural Areas in Navoi, Fergana, and Tashkent Regions</td>
<td>2018</td>
<td>50.0</td>
</tr>
<tr>
<td>World Bank Group</td>
<td>Modernization of Real Property Registration and Cadastre Project</td>
<td>2016–2021</td>
<td>20.0</td>
</tr>
<tr>
<td>UNDP</td>
<td>Market Transformation for Sustainable Rural Housing</td>
<td>2017–2023</td>
<td>6.3</td>
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</tbody>
</table>

aFinance and Urban Sector Development. Source: ADB.

2. The Affordable Rural Housing Program (ARHP) was approved in 2017 to support a portion of the government’s State Affordable Rural Housing Program (SARHP). The SARHP aims to improve the quality of life in rural areas of Uzbekistan through rural housing construction, employment generation, and private sector development. The ARHP focuses on the provision of affordable rural housing finance through three state-owned banks that provide loans to construct at least 29,000 dwelling units in nine regions of the country.1 The construction is undertaken by private contractors and thereby generates rural employment through the housing construction activities funded by the program. Housing affordability is improved through the use of smaller and lower-cost designs, beneficiary selection criteria prioritizing vulnerable households, and government subsidies.2

3. The Islamic Development Bank is contributing $300 million under the SARHP to finance affordable housing construction and its associated infrastructure. In addition, the Kuwait Fund for Arab Economic Development processed two loans of $30 million each to cofinance associated

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1 The nine regions are Bukhara, Fergana, Karakalpakstan, Kashkadarya, Khorezm, Namangan, Samarkand, Surkhandarya, and Tashkent.

2 The Asian Development Bank (ADB) introduced the first development project to support rural housing in Uzbekistan in 2012. The Housing for Integrated Rural Development Investment Program, concluded in 2015, provided funding for 22,834 loans by commercial banks for the construction of houses with standard designs in all thirteen regions of the country.
infrastructure (water and roads) under the SARHP in six regions of the country during 2018–2019, and the Saudi Development Fund financed the construction of 2,000 standard houses in rural areas in the Ferghana, Navoi, and Tashkent regions in 2018.

4. The World Bank is currently implementing a project to modernize the real property registry and cadaster system, including infrastructure and software improvements, collection of spatial datasets, enhancement of systems interoperability, data sharing across relevant government agencies, and strengthening of the legislative and regulatory framework for real property registration. The project is anticipated for completion in 2021.

5. The United Nations Development Programme (UNDP) is implementing the $6.3 million Market Transformation for Sustainable Rural Housing Development project. The project is funded by the Global Environment Facility. It seeks to (i) strengthen domestic supply chains for the construction of energy-efficient and low-carbon housing; (ii) strengthen policies and regulations, particularly building codes for rural housing and rural settlements; and (iii) introduce a green mortgage scheme for rural housing, i.e., by building the capacity of the banking sector to design financial products for low-carbon housing and by establishing a fund to cross-subsidize access to energy-efficient technology for low-income housing. To date, under the project, the UNDP has (i) supported the introduction of 21 energy-efficient and low-carbon housing designs, which have been applied to government housing construction under the SARHP since January 2019; and (ii) revised three building codes that became mandatory nationwide in January 2019 (previously, energy efficiency in building construction was not required). Three additional building codes are being prepared, alongside the preparation of manuals to guide the implementation of the revised building codes. In addition, the project is funding the incremental costs of including energy efficiency features in standard housing for a planned total of 2,000 houses during 2019–2021.

6. The Market Transformation for Sustainable Rural Housing Development project was preceded by an earlier UNDP energy efficiency project, concluded in 2015, that revised ten mandatory national building codes and helped the national design agency prepare a new four-room home design with enhanced insulation, efficient heating devices, heat recovery ventilation systems, and solar photovoltaic electricity production and solar water heating systems. The green model standard house, which was constructed in the Tashkent region, reduced energy consumption by an estimated 30% through the use of the revised designs and building codes.  

7. In addition, development partners have active programs supporting broader finance sector reforms. These include the World Bank’s ongoing technical assistance support to strengthen banking sector regulations of the Central Bank of Uzbekistan; and the European Bank for Reconstruction and Development’s technical assistance support to develop the money market, which will enhance the liquidity of capital market instruments (of relevance, as the mortgage market develops and introduces advanced funding [securitization] mechanisms in the future).

B. Institutional Arrangements and Processes for Development Coordination

8. Development assistance is coordinated by the Interagency Council on Cooperation under the Cabinet of Ministers (which oversees implementation of large and strategically important investment projects by international financial institutions and bilateral development partners) and the Department on Coordination and Control of Purposeful Utilization of Humanitarian Aid and

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Technical Assistance Funds under the Ministry of Finance. The Ministry of Economy and Industry and the State Committee of Investments are also mandated to coordinate and monitor financial assistance from various development partners and to implement projects that receive foreign assistance. In addition, the Ministry of Finance established the multi-donor Financial Markets Reform Working Group in 2019 to coordinate support to finance sector reform.

9. The nature of the Mortgage Market Sector Development Program, as a sector development program, will help realize a phased approach and continuous Asian Development Bank (ADB) engagement over a prolonged period to support housing sector and mortgage market reforms and the establishment of a coherent government system to support access to housing for low- and middle-income households.

C. Achievements and Issues

10. During the preparation of the program, ADB consulted with the World Bank, International Monetary Fund, European Bank for Reconstruction and Development, IsDB, UNDP, and German development cooperation through KfW. The program will introduce a new approach to housing sector development by addressing the absence of market-based financing and reforming the existing subsidy landscape, which is distorting the market. It will build on prior achievements under the Housing for Integrated Rural Development Investment Program and the ARHP that helped establish a rural housing market (for housing supply) and build the capacity of, and stimulate, bank lending for mortgages across broader population segments (with government subsidies). Moving forward, the challenge will be to ensure coordinated efforts to support market-based housing and housing finance solutions, phasing out the blanket approach to existing government housing programs that provide subsidies irrespective of household vulnerability in the absence of clear beneficiary screening and criteria (which the program will help introduce).

D. Summary and Recommendations

11. The ADB project team will coordinate closely with other development partners during implementation of the program. The newly established Financial Markets Reform Working Group will provide a key channel for this purpose alongside continued bilateral coordination with development partners (para. 8). Furthermore, the Housing Assistance Unit (established under the Ministry of Finance as part of the program as the centralized housing agency for administration of housing subsidy programs) will build the government’s capacity to streamline housing development policies and programs, and prioritize donor support in line with a consolidated development agenda.

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4 For instance, disbursement-linked indicators under the ARHP require participating financial institutions to improve asset quality in their housing finance portfolios and the inclusiveness of their lending policies and practices.