



Uzbekistan: Support to the Operationalization of the Uzbekistan Mortgage Refinancing Company (UMRC)

Project Name	Support to the Operationalization of the Uzbekistan Mortgage Refinancing Company (UMRC)		
Project Number	51348-003		
Country	Uzbekistan		
Project Status	Proposed		
Project Type / Modality of Assistance	Technical Assistance		
Source of Funding / Amount	TA: Support to the Operationalization of the Uzbekistan Mortgage Refinancing Company (UMRC)		
	Republic of Korea e-Asia and Knowledge Partnership Fund		US\$ 500,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration		
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development		
Sector / Subsector	Finance - Housing finance		
Gender Equity and Mainstreaming	No gender elements		
Description	<p>The knowledge and support technical assistance (TA) will support the operationalization of the Uzbekistan Mortgage Refinancing Company (UMRC) which will provide long-term funding to the banks in Uzbekistan to stimulate the market-based mortgage financing sector. Over time, this will help the economy to develop its financial sector and capital markets thereby contributing to long-term sustainable growth.</p> <p>This TA will build on the outputs of the KSTA 9479-UZB: Mortgage Market Development Program, which produced the business plan for UMRC including a roadmap for the operationalization of the company and an outline of the regulatory changes required to ensure market uptake. The proposed TA will be a natural continuation of these efforts by financing the actual establishment of the company starting from setting up the actual legal structure, capitalizing to staffing and preparing the operational documents such as the lending policies, risk manuals, and human resources policies.</p>		

Project Rationale and Linkage to Country/Regional Strategy	<p>The continued population growth of Uzbekistan is putting substantial pressure on the economy in providing adequate housing supply. While the government is addressing some of the key challenges on the supply side of the housing market, especially in the rural areas, with the assistance of international donors, notably the ADB, its fiscal resources are not sufficient and need to be supplemented through the mobilization of market-based mortgage finance products through the commercial banking sector. However, the market-based residential commercial mortgage loan market in Uzbekistan remains severely underdeveloped as evidenced by the fact that the mortgage loans to GDP ratio is only 4.8% (compared to close to 50% in developed countries) and the total mortgage loan portfolio is only 14.2% of banks' total loan portfolio in Uzbekistan (while it was approximately 24.5% in Armenia, 41.7% in Russia, or 41.6% in the USA in 2016).</p> <p>One of the main reasons why commercial banks have been unable to play their financial intermediation role in the housing finance sector is the lack of access to long-term funding sources. To address this issue, ADB is currently working with the Government of Uzbekistan (GOU) on the Mortgage Market Development Program (MMDP). Under MMDP, ADB is proposing to provide up to \$200 million to support the development of the mortgage market in the country.</p> <p>MMDP will have 3 outputs, namely to: (i) address the various gaps in the housing policy and subsidy environment in order to reduce the reliance on the various Government-sponsored housing programs that are mostly inefficient, untargeted and expensive while at the same time start the development of the commercial mortgage finance sector through policy-based actions; (ii) strengthen the management, monitoring, evaluation and design of Uzbekistan's present and new housing programs through the set-up of a housing assistance unit (HAU) under the auspices of the MOF; and (iii) establish UMRC which will directly address the lack of long-term funding to the banking sector by raising long-term finance first from donors such as the ADB and at a later stage, through the domestic capital markets.</p> <p>This proposed TA will assist output 3 under MMDP, i.e. the operationalization of the proposed UMRC while the other 2 outputs under MMDP will be supported through an increase of the TA amount under TA 9479-UZB. UMRC will be a dedicated wholesale mortgage refinance institution to be established as a joint venture between GOU and the Uzbek banking sector. The company will be run on a commercial basis and will offer long-term funding on market based terms to all participating financial institutions (PFIs) while at the same time promote technical competence inside the housing finance sector, encourage competition in the banking sector, collect sector related data and information and build capacity and awareness for the importance of a well-developed housing finance sector among the relevant stakeholders such as the banks, regulators, market practitioners and the public.</p>
Impact	Availability of finance in local currency in non-oil productive sectors of the economy improved (Strategic Road Map for Financial Sector Development)
Outcome	Range of appropriate non-bank and alternative financial services in local currency improved
Outputs	<ol style="list-style-type: none"> 1. Policy, regulatory, and institutional framework for appropriate non-bank and alternative financial services improved 2. Consumer confidence and demand for non-bank and alternative financial services improved
Geographical Location	Nation-wide

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services	The consultancy will be led by an international firm with preferably 10 years' experience delivering work in similar assignments or in closely-related assignments, preferably with ADB and throughout the Asia Pacific region, including Uzbekistan. In particular, the firm should be specializing in financial services with good knowledge of housing finance, specifically mortgages, and capital markets. Previous experience in capitalizing and operationalizing mortgage refinance companies would be an added advantage.
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Responsible ADB Officer	Marro, Peter
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable	
Concept Clearance	29 Oct 2018
Fact Finding	-
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	24 Jan 2019

Project Page	https://www.adb.org/projects/51348-003/main
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