

HOUSING FOR INTEGRATED RURAL DEVELOPMENT CAPACITY DEVELOPMENT

A. Introduction

1. Capacity development under the Housing for Integrated Rural Development Program (Program) encompasses a number of activities to strengthen institutional, safeguard and technical capacity under the multitranche financing facility (MFF) strategy and roadmap. The Ministry of Economy (MOE) will improve intergovernmental coordination to achieve greater impact and synergies under the Housing for Integrated Rural Development Strategy and Roadmap, the government's multisector and integrated strategy for nonfarm rural development. The Strategy encompasses a number of government programs for improving rural living standards including improvements to the enabling environment for micro and small enterprises (MSEs). Under the Strategy, the Rural Housing Scheme (RHS) will be extended for five years and improved and the overall impact of the RHS will be enhanced. Credit appraisal processes and portfolio risk management procedures and systems of participating commercial banks (PCBs) will be strengthened to ensure prudent expansion in rural mortgage portfolios. A results-based monitoring and evaluation framework will be developed and implemented, and an annual technical-financial performance audit of the RHS will be undertaken to assure consistent delivery of value for money and quality construction.

2. To strengthen local government (*hokimiyat*) capacity for integrated rural community planning and regional investment promotion, *hokimiyat* training programs will be improved. Rural job creation and demand driven skill training and re-skilling programs will be closely coordinated with the private sector and regional investment promotion strategies, to generate sustainable rural employment opportunities. To determine pragmatic next steps for further improvement of the enabling environment for rural MSEs, a review of global approaches and best practices for MSE development will be undertaken.

B. Major Activities and Outputs

3. **Strengthening intergovernmental coordination of rural development programs.**

The MOE will establish a program implementation unit (PIU) with an appropriate structure, staffing level and skill mix, to strengthen intergovernmental coordination of government rural development programs, including results-based management of the Program. Responsibilities of the PIU will include:

- a) Overall coordination for the Program—including all related strategies and programs—(Rural Development Program, RHS, Financial Sector Strategy, and MSE Strategy) with the Ministry of Finance, *hokimiyats*, PCBs, private sector, and other relevant stakeholders.
- b) Development and implementation of a results-based performance management, monitoring, evaluation, and reporting system for the Program (in close coordination with the Asian Development Bank [ADB]) that measures and assesses targets set out in the MFF policy framework and the ADB Report and Recommendation of the President Design and Monitoring Framework.
- c) Commissioning and supervising (in close coordination with ADB) an independent annual technical and financial audit (the first to be scheduled for November 2011) to evaluate value for money and construction quality of RHS-constructed houses, and the

transparency, and accountability of RHS critical processes (land selection, beneficiary selection, price setting, contractor selection, and construction quality control).

- d) Oversight of planning, implementation, monitoring and evaluation, and reporting for the Program (including the Gender Action Plan):
 - i. For Component 1, leading policies studies to be undertaken: (i) to identify policy options for public support for housing, (ii) to evaluate options for improving energy efficiency of RHS house designs, and (iii) to identify improvements for residential construction standards and residential construction quality control processes.
 - ii. For Component 2, leading the capacity strengthening activities by specifically developing, implementing, monitoring and evaluating, and reporting on a training strategy and action plan for strengthening *hokimiyat* training curriculums and undertaking of training of the trainers.
 - iii. For Component 3, leading a study to identify pragmatic next steps for further improvement of the enabling environment to better support rural MSEs.
- e) Oversight of planning, implementation, monitoring and evaluation, and reporting on the RHS (including the RHS public awareness and information campaign, RHS site selection in accordance with national [and ADB safeguard] requirements, RHS beneficiary selection in accordance with RHS selection criteria and point score evaluation process, RHS contractor selection in accordance with national procurement regulations [and ADB procurement guidelines], RHS price setting, RHS construction quality assurance, and RHS inquiries and complaints processes).
- f) Undertaking of evaluation and policy work to enhance the Program and policy framework, and needed to support design and development of subsequent tranches under the multitranche financing facility (this may include options for legal independence of Qishloq Qurilish Invest, and assessment of other PCBs and developers interested in joining the RHS).
- g) Coordinating with ADB, implementation of multitranche financing facility and individual tranches, including preparation and submission to ADB of Periodic Financing Requests and Project Completion Reports, semi-annual Program progress reports with updated status of results-based targets and indicators, and a consolidated Program completion report.

4. These critical responsibilities will require a number of specialists and skills with full-time or part-time involvement as specified for each: program manager/results-based monitoring and reporting specialist (fulltime), a financial management specialist (fulltime), a institutional development/training specialist (fulltime), an engineer/procurement¹ specialist (fulltime), lawyer² (2-3 months part-time), a gender specialist³ (4-6 months part-time), a social and environmental

¹ The engineer/procurement specialist will be responsible for overseeing and reporting on RHS selection of contractors to be undertaken in accordance with national procurement regulations and ADB procurement guidelines.

² A lawyer may be needed to help develop options for legal independence of Qishloq Qurilish Invest and to help address legal issues related to other policy options for public support of rural housing, and other legal issues related to the RHS.

³ The gender specialist will be responsible for managing and reporting on the implementation of the Gender Action Plan in close coordination with each respective Program agency.

safeguards specialist⁴ (4-6 months part-time), and an information technology/database specialist⁵ (fulltime).

5. **Strengthen RHS impact.** A number of studies will be undertaken by the PIU to strengthen the Program and policy framework, including the design and overall impact of the RHS. It is envisioned that at least three studies will be undertaken. The first will identify and evaluate innovative options, relevant for the Uzbekistan country context, for public support of low-income housing. The second will identify and evaluate technically appropriate and cost-effective alternative energy or energy efficient options that will improve the energy use of RHS house designs. The third will critically review and identify measures to (a) improve the transparency and fairness of RHS procurement process, (b) improve the oversight role of the State Committee of Architecture and Construction⁶ and other related agencies in assuring construction quality and compliance with national building and construction standards, and (c) accelerate development of the rural construction sector.

6. **Enhance capacity of PCBs.** Each PCB⁷ will identify an RHS focal point, and develop and implement a training strategy and action plan for strengthening rural credit officer/portfolio manager training curriculums and undertaking training of trainers. Taking into account generally accepted international practices, a critical review⁸ will be undertaken of the policies and procedures for credit evaluation and portfolio risk management adopted by PCBs, and those prescribed to by the Central Bank of Uzbekistan (CBU).⁹ The review will focus on improvements required to enhance existing policies and procedures to support acceleration of prudent expansion of rural housing finance. The findings and recommendations of the review will be presented and discussed during a consultative workshop organized for PCB senior/credit managers and relevant staff from the CBU. Based on the outcome of the consultation, a second working session will be organized for PCB human resource managers and trainers, as well as trainers involved in banker's training programs offered by the CBU, the Banker's Association, or other academic institutions that offer courses for financial sector professionals. During the second session, "training of the trainers" and guidance will be provided for incorporating policy and procedural enhancements into credit training curriculums for credit officers and portfolio managers responsible for approving rural housing finance loans and managing rural lending portfolios.

7. **Enhance *hokimiyat* capacity.** A review of global approaches and best practices for regional investment promotion strategies and rural community planning will be undertaken by the PIU to identify approaches relevant for the Uzbekistan country context. A review of findings and recommendations will be presented and discussed during a consultative workshop

⁴ The environmental and social safeguard specialist will be responsible for critically reviewing the Environmental and Social Safeguard Monitoring System (ESMS) to be adopted by each PCB to ensure compliance with ADB safeguard requirements, as well as to undertake annual due diligence on the ESMS process undertaken for the RHS each year.

⁵ The information technology/database specialist will be responsible for developing and maintaining all Program databases and reporting systems to support effective results-based monitoring and reporting of Program activities and outputs. See para. 9 for further details.

⁶ The State Committee of Architecture and Construction has requested support for a number of related studies that may be considered.

⁷ Qishloq Qurilish Bank is the sole PCB for Tranche 1.

⁸ ADB may also provide support for international consultants required for this review under ADB. 2010. *Technical Assistance for Financial Sector Development in Central and West Asia*. Manila.

⁹ As a key component of the Financial Sector Development Strategy, standardized approaches for credit evaluation and portfolio risk management will be developed (in accordance with best practices), and adopted as an integral part of CBU's financial sector performance monitoring.

organized for representatives of regional and district *hokimiyat* officials countrywide. Based on the outcome of the consultation, a second working session will be organized for curriculum specialists and instructors from relevant national and regional training institutes that deliver *hokimiyat* capacity building programs. During the second session, “training of the trainers” and guidance will be provided for incorporating curriculum enhancements into existing *hokimiyat* capacity building programs.

8. **Strengthening enabling environment for rural MSEs.** A study of global approaches and best practices for improving the enabling environment for entrepreneurs, with a focus on expanding and establishing new MSEs in rural areas, will be undertaken by the PIU to identify approaches relevant for the Uzbekistan country context. Study findings and recommendations will be presented and discussed during a consultative workshop organized for countrywide representatives of relevant public sector, private sector, and non-government organizations. Based on the outcome of the consultation, a second workshop will be organized for respective public sector policy agencies (MOE, Ministry of Finance, Ministry of Labor, CBU, and others) to determine pragmatic next steps for improving the existing MSE strategy and strengthening the Program.

9. **Results-based reporting.** The PIU (results-based evaluation specialist, together with the information technology specialist) will be responsible for working closely with the MOE and other Program implementing agencies to design the Program’s results-based evaluation, monitoring and reporting system, and to assist the MOE in the preparation of the first performance report. A number of critical databases will need to be developed or strengthened to support the results-based system. These include the RHS land site inventory; the RHS land plot database with relevant ESMS data maintained for each RHS housing plot; the beneficiary database with relevant social, credit evaluation, and mortgage and mortgage payment data maintained on each RHS beneficiary; the RHS pricing database with comparative quarterly data on construction labor costs and the market (and wholesale) before and after tax prices of all main construction materials; the RHS contractor database with relevant technical and financial data maintained on each contractor who submits a bid to the RHS; the RHS contract database with relevant data on the bid, evaluation, award, implementation performance, construction supervision/inspection, and payment processes maintained on each contract; and the RHS inquiry/complaint database with relevant data on all inquiries and/or complaints received and follow up action taken.

10. **Technical-financial performance audit.** To strengthen the quality of RHS processes and highlight areas for further improvement, the PIU will oversee the preparation of an annual independent technical-financial performance audit and value for money assessment will be undertaken, with the first audit initiated in November 2011. The first audit will review the RHS processes undertaken for 2012, and assess value for money and construction quality of RHS houses constructed in 2009 to 2011 on a sample basis. RHS processes to be assessed will include land selection, beneficiary selection, price setting, contractor selection, and construction supervision and quality assurance, to provide recommendations for improving RHS processes for the following year. The technical-financial performance audits will also include a critical assessment of the structure and adequacy of the RHS databases (as detailed in para. 9), the outcome of the RHS processes, and the degree to which the expected RHS outcome and outputs have or are being achieved. The findings and recommendations of each audit will be adopted as appropriate for continued improvement of RHS processes.