

RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risks	Assessment without Mitigation	Management Plan	Assessment with Mitigation
Adverse selection of Rural Housing Scheme (RHS) homebuyers	Medium	<p>Adopt well-defined eligibility criteria, and transparent selection process that involves participation of community groups that include district <i>mahallas</i> (citizen-based organizations) and women's committees, with monitoring system to track and ensure adherence</p> <p>Broad communication of criteria</p> <p>Closely monitor beneficiary selection and results-based reporting on social indicators</p>	Low
Affordability of RHS new houses by targeted beneficiaries, and escalating cost of houses with high inflation	Medium to High	<p>Closely monitor affordability of RHS new houses by target beneficiary groups</p> <p>Adopt and implement cost containment measures, and closely monitor costs</p> <p>During tranche 1, targets will be set for subsequent tranches to ensure outreach to an increasing proportion of lower-income households</p> <p>During tranche 2, a study will be undertaken to identify and assess sustainable options for targeting low-income households and delivering low-income housing</p> <p>During tranche 3 and 4, and based on study undertaken during tranche 2, pilot viable options and develop a strategy for expanding outreach to low-income households for the next phase of the RHS</p>	Low to Medium
Construction quality of RHS houses and sufficiency of grievance redress	Medium	<p>Closely regulated and supervised construction quality assurance process to ensure compliance with national building and construction standards, with process and specific roles of each agency clearly defined in the facility administration manual</p> <p>Regular review missions</p> <p>Annual technical and financial performance audit by independent third party</p> <p>Improved grievance redress procedures</p> <p>Public awareness campaign to highlight consumer rights and housing contract revised to inform purchasers of their rights</p>	Low

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Conflicts of interest between QQB and QQI and between QQI and QQI construction material factories	Medium to High	<p>Closely regulated cost-based pricing and improved public disclosure of basis of pricing and cost containment measures</p> <p>Annual value for money assessment and technical-financial audit by independent third party.</p> <p>Mortgage loan proceeds directly deposited to the RHS home buyer's account with rights of withdrawal limited to the home buyer, and rights and obligations during construction phase and under mortgage clearly defined and disclosed</p> <p>Use of standardized home purchase agreements that detail construction costs and pricing, outline conditions of performance-based payment schedule and conditions of 1 year warranty, and clearly define rights of inspection and recourse options.</p> <p>Procurement process and specific roles and responsibilities of <i>hokimiyats</i> (local governments) (who lead the process), QQI, and other agencies specified in the facility administration manual</p> <p>Use of standardized procurement documentation, well-defined process, and publicized results</p> <p>QQI construction material factories divested by 1 January 2013 (for tranche 2)</p> <p>QQI established as a separate legal entity by 1 January 2014 (for tranche 3)</p> <p>Opening up of the RHS to other participating commercial banks (for tranche 2), developers, and construction supervisors (for tranche 3)</p>	Low to Medium
Impaired financial condition of PCBs due to higher credit risk of targeted subborrowers	Medium	<p>Defined eligibility criteria for PCBs requires experience in mortgage lending and capital in excess of regulatory minimum</p> <p>Capacity development includes strengthening of credit appraisal processes and portfolio risk management procedures and systems by PCBs to ensure prudent expansion of rural outreach and rural mortgage portfolios</p> <p>Regular review missions</p> <p>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),</p>	Low

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		and adopted as an integral part of the Central Bank of Uzbekistan's bank supervision and financial sector performance monitoring. Technical assistance support will be considered under ADB's Financial Sector Development in Central and West Asia, to enhance PCB and Central Bank of Uzbekistan loan officer and portfolio manager training curricula and training of the trainers	
Low-interest credit line to one PCB under tranche 1 may crowd out other players	Medium	Full phase out of interest rate support by 2015 Opening up of RHS to other PCBs by 2013 (tranche 2)	Low
Long term sustainability and fiscal affordability of extended public support for new rural housing with existing design	High	Implementation of a results-based performance monitoring and evaluation framework, close monitoring and reporting, and incorporation of lessons learned Capacity development, including studies, and in-depth policy dialogue Pilot viable alternative approaches for improving targeting of public support of housing for poor and low income households, and incorporate experiences in strategy for next phase of RHS	Medium
Overall	Medium		Low

ADB = Asian Development Bank, FY = fiscal year, PCB = participating commercial bank, QQB = Qishloq Qurilish Bank, QQI = Qishloq Qurilish Invest, RHS = Rural Housing Scheme.