



## Periodic Financing Request Report

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Project Number: 44318-026  
MFF Number: 0061-UZB  
August 2015

### Republic of Uzbekistan: Housing for Integrated Rural Development Investment Program (Project 3)

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 6 August 2015)

Currency Unit	–	sum (SUM)
SUM1.00	=	\$0.00039
\$1.00	=	SUM2,580.79

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ESMS	–	environmental and social management system
FFA	–	framework financing agreement
HIRD	–	Housing for Integrated Rural Development
IDB	–	Islamic Development Bank
MFF	–	multitranchise financing facility
MOE	–	Ministry of Economy
MSE	–	micro and small enterprise
NBU	–	National Bank of Uzbekistan
PCB	–	participating commercial bank
PIU	–	program implementation unit
QQB	–	Qishloq Qurilish Bank
QQI	–	Qishloq Qurilish Invest
TA	–	technical assistance
TFPA	–	technical financial performance audit

## **NOTES**

- (i) The fiscal year (FY) of the government of Uzbekistan ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2014 ends on 31 December 2014.
- (ii) In this report, "\$" refers to US dollars.

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## TRANCHE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 44318-026	
<b>Project Name</b>	MFF Housing for Integrated Rural Development Tranche 3	<b>Department /Division</b>	CWRD/CWPF
<b>Country Borrower</b>	Uzbekistan Republic of Uzbekistan	<b>Executing Agency</b>	Ministry of Economy
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
🏠 Finance	Housing finance		100.00
		<b>Total</b>	<b>100.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change Impact on the Project	Medium
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Institutional development Institutional systems and political economy	Effective gender mainstreaming (EGM)	🏠
Partnerships (PAR)	International finance institutions (IFI) Official cofinancing		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Rural Urban	High Low
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	<b>Environment:</b> FI-C <b>Involuntary Resettlement:</b> FI-C <b>Indigenous Peoples:</b> FI-C		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>100.00</b>	
Sovereign MFF-Tranche (Loan): Ordinary capital resources		100.00	
<b>Cofinancing</b>		<b>100.00</b>	
Islamic Development Bank		100.00	
<b>Counterpart</b>		<b>742.45</b>	
Beneficiaries		262.74	
Government		48.41	
Others		431.30	
<b>Total</b>		<b>942.45</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		No	

## TRANCHE AT A GLANCE

Date of Receipt by ADB of PFR: 31 March 2015	Tranche Number: 3
<b>10. Country Operations Business Plan</b> <b>CPS</b>  <b>COBP</b>	
<b>11. Tranche Summary</b>	
<p>The Housing for Integrated Rural Development (HIRD) Investment Program is a five-year, \$500 million multitranche financing facility (MFF) approved in 2011. Under component 1, new modern houses are built in planned rural community sites, on land plots serviced with electricity, gas, water supply, and roads provided by local governments. ADB loans to the government are onlent to participating commercial banks (PCBs) that provide subloans to rural residents who enter into contracts with Qishloq Qurilish Invest (QQI) to build new houses. Under the MFF, ADB has financed 19,606 subloans. Under component 2, the capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies is being improved. Component 2 is financed entirely by the government. Under component 3, the government is implementing measures to improve the enabling environment for entrepreneurs and micro and small enterprises to expand or establish new businesses in rural areas. Component 3 is also financed entirely by the government. The government is requesting a third tranche of \$100 million to fund mortgages for houses whose construction will begin in 2015. ADB procurement procedures will be followed for the main civil works contracts for houses and implemented nationwide involving local governments and using other institutional arrangements and structures practiced in public procurement.</p>	
<p><b>Impact and Outcome:</b> The impact will be improved rural housing for targeted beneficiaries. The outcome will be downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women.</p>	
<p><b>Outputs:</b> (i) Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas, (ii) Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies, and (iii) Improved enabling environment for entrepreneurs and micro and small enterprises (MSEs) to expand or establish new businesses in rural areas.</p>	
<p><b>Implementation Arrangements:</b> Ministry of Economy will be the executing agency.</p>	
<p><b>Project Readiness:</b> The Program Implementation Unit (PIU) in the Ministry of Economy is set up and functioning.</p>	
<p>Due diligence was conducted on 274 housing sites and 209 were deemed fully compliant with ADB safeguards requirements and therefore permissible for inclusion in the HIRD program. A nationwide public information campaign was conducted to encourage rural residents, especially lower-income residents, to apply to participate in the program. Tranche 3 has a Climate Classification of medium due to risks associated with flooding, though the government considers this risk manageable through its own assessment by the Ministry of Emergency Situations of flood risks in each housing site.</p>	
<p>ADB conducted financial and integrity due diligence on the two commercial banks selected by the government to receive ADB funds--Qishloq Qurilish Bank (QQB) and the National Bank of Uzbekistan (NBU). Applications for houses to be financed under HIRD were collected by the two banks and socially prioritized (i.e., screened to disqualify applicants with income exceeding a certain threshold and to give priority to applicants with a high social score). The banks evaluated the socially prioritized applications for creditworthiness and creditworthy applicants were selected as beneficiaries. Each selected beneficiary provided the bank with a downpayment of at least SUM45,000,000.</p>	
<p>On behalf of the government procurement is carried out by the local governments with technical guidance of the government's Tender Consulting Center (TCC). Procurement is based on open competitive selection of contractors in accordance with ADB-approved procurement procedures for HIRD 2015. QQI, the government's construction company, acts as the employer and construction supervisor on behalf of the local governments and the home buyers.</p>	
<p>Under the advance procurement action approved by ADB on 16 January 2015, 724 NCBs (bid packages) were advertised for a total of approximately 7,851 houses. Of these, 60 NCBs for construction of approximately 2,929 houses will be financed by ADB at a 75% financing share. To improve the quality of procurement, ADB teamed with the PIU and other government agencies (State Committee for Architecture and Construction, TCC, and QQI) to conduct extensive training for the members of the Regional Tender Commissions. Invitation for bids for ADB-financed houses were issued on 1 May 2015. The submission deadline for bids was the third week of May. Tender committees have convened to receive and review the technical and price bids. ADB teams attended bid opening events and provided guidance to Regional Tender Commissions as required. Prior review of a sample of 67 contracts (27 NCBs) is currently under way. The winning bidders are expected to be selected by August 2015 following the evaluation of the price bids. Contracting authorities will be ready to award and sign the contracts immediately upon loan effectiveness. House completion and handover to approximately 2,929 selected home buyers for the ADB-financed houses is expected to be completed by December 2016.</p>	

## 12. Significant Developments in the MFF and Previous Tranches

Tranche 1 closed on 30 June 2015, but was extended twice (original closing date 30 June 2013) to allow financing and completion of key risk monitoring reports, namely the technical and financial performance review. Tranche 2 is still under implementation and is due to close on 31 March 2016. It is proposed to be extended once to enable funding to be available for the PIU during the implementation of tranche 3 as there will be no non-credit component under tranche 3. Tranche 2 is on track. As of the 30 June 2015, \$198.823 million (99.41%) of the \$200 million tranche 2 loan has been disbursed: \$198.56 million for mortgages and \$263,235 for PIU expenses, audits, and reports.

During the implementation of tranches 1 and 2 (2012-2014), 115,010 mortgage loan applications were evaluated. Procurement documents conforming to ADB standards were developed and used by 8,757 bidders, and 2,533 NCBs were conducted and the same number of contracts were awarded for the construction of 29,510 houses. Mortgage loans were issued by QQB and NBU to 27,890 homebuyers. 22,834 people nationwide received training on safeguards, beneficiary selection processes, and procurement. Under component 2, 2,206 local government officials received training in integrated rural development planning and investment promotion strategies in 2013 and 2014. Under component 3, the government implemented more than twenty-four additional reform actions and, using its own funds and funds attracted from international financial institutions including ADB, provided credit lines to banks to increase lending to micro and small enterprises, with an emphasis on loans to rural and women-owned businesses. To reduce small business barriers, a pilot program for online business registration was launched in 2014.

The government is generally in compliance with the undertakings in the Framework Financing Agreement (FFA), though three minor changes in the FFA were required to align the FFA with government decisions and to allow the government more time to fulfill the undertakings due to slow implementation. Further, the government did not provide on time the technical and financial performance audits for 2012 and 2013. Good progress has been made implementing the MFF Policy Framework and road map, though there were some delays in selling the 13 construction materials factories. Compliance with the covenants in the loan and project agreements is currently satisfactory with the exception of certain reporting requirements. Specifically, the audited project financial statements (APFS) for 2012 (QQB only) did not include a special purpose statement on the utilization of funds and 2013 statements (for both QQB and NBU) had to be re-audited due to incorrect financial periods and the APFSs did not identify ineligible expenditures.

## 13. Milestones

Estimated Approval	Estimated Effectiveness	Estimated Completion <sup>a</sup>
20 August 2015	8 September 2015	31 December 2016

## 14. Linked Documents

	Required Document	Disclosure Date
(i) Environment		
Weblink:		
(ii) Involuntary resettlement		
Weblink:		
(iii) Indigenous peoples		
Weblink:		

<sup>a</sup> For Tranches, this refers to the financial closing date.

## CONTENTS

	Page
TRANCHE AT A GLANCE	
I. BACKGROUND	1
II. ASSESSMENT OF IMPLEMENTATION	1
III. PERIODIC FINANCING REQUEST	4
A. Impact and Outcome	4
B. Outputs	4
C. Investment and Financing Plans	4
D. Implementation Arrangements	6
E. Project Readiness	6
F. Advance Contracting	6
IV. DUE DILIGENCE	7
A. Economic and Financial	7
B. Governance	7
C. Poverty, Social, and Gender Dimensions	8
D. Safeguards	8
E. Risks and Mitigating Measures	9
F. Risk Categorization	10
V. ASSURANCES AND CONDITIONS	10
VI. RECOMMENDATION	10
APPENDIXES	
1. Tranche Design and Monitoring Framework	
2. Periodic Financing Request from the Government	
3. Updated Facility Administration Manual	
4. Gender Action Plan	
5. Updated Summary Poverty Reduction and Social Strategy	
6. Risk Assessment and Risk Management Plan	
7. Economic and Financial Assessments	
8. Contribution to the ADB Results Framework	
SUPPLEMENTARY APPENDIXES (available on request)	
A. Loan and Project Agreements	
B. Development Coordination	
C. Procurement Reforms for Housing for Integrated Rural Development Investment Program (Tranche 3)	



## I. BACKGROUND

1. On 31 August 2011, the Asian Development Bank (ADB) approved a \$500 million multitranche financing facility (MFF) for the Housing for Integrated Rural Development (HIRD) Investment Program.<sup>1</sup> ADB financing mainly provides loans to participating commercial banks (PCBs) to make mortgage subloans to moderate- and lower-income rural homebuyers.

2. HIRD is a multisector program with three components. Component 1 is the provision of loans to targeted home buyers to finance construction of approximately 40,800 new houses. Component 2 is the strengthening of local government capacity to prepare and implement integrated rural development plans and investment promotion strategies. Component 3 is the improvement of the enabling environment for micro and small enterprises (MSEs) to expand or establish new businesses in rural areas.

3. The MFF supports rural housing finance, the program implementation unit (PIU), and capacity development under component 1. In addition to funding loans to home buyers, ADB provides oversight on contracts and safeguards. The Government of Uzbekistan provides housing construction arrangements, housing plots with infrastructure, and associated commercial and social services. The government is funding components 2 and 3, including the accompanying reforms, with PIU support for monitoring and evaluation.

4. On 31 March 2015, the government submitted the third periodic financing request to ADB for a loan of \$100 million to finance project 3 (Appendix 2).<sup>2</sup>

## II. ASSESSMENT OF IMPLEMENTATION

5. **Project 1.** The project 1 loan for \$200 million became effective on 20 April 2012. A single PCB—Qishloq Qurilish Bank (QQB)—disbursed \$199.6 million for subloans for the construction and purchase of 10,279 new houses by eligible rural families. Of the remaining \$400,000 (the non-credit component), \$184,682 provided capacity development and PIU support for component 1. Under component 2, training curricula were developed for results-based regional investment planning and 2,664 local government officials received training in integrated rural development planning and investment promotion strategies in 2011 and 2012. Under component 3, the government improved the enabling environment for MSEs by implementing reforms in the banking sector and a program of actions for the development of MSEs. For example, license and permit requirements were relaxed, tax payments were simplified and lowered, and business inspections were reduced.

6. **Project 2.** The project 2 loan, also for \$200 million, became effective on 24 October 2013. Disbursements of \$198.82 million have been made: (i) \$198.56 million to finance 9,348 subloans by QQB and a second PCB—National Bank of Uzbekistan (NBU)—for construction and purchase of new houses, and (ii) \$263,235 for capacity development and PIU support for component 1. Improvements were made to the designs of HIRD houses to reduce costs and increase environmental sustainability. For example, two-cycle boilers and solar water heaters were provided as options.

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<sup>1</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Housing for Integrated Rural Development Investment Program*. Manila.

<sup>2</sup> Under HIRD in 2015, 12,000 houses will be constructed. The Islamic Development Bank will construct 1,100 houses. The government, via subloans provided by Ipoteka Bank, will finance 3,049 houses. Project 3 will support construction of 7,851 houses. Of the 7,851 houses in project 3, the government will fully finance subloans provided by the PCBs for 4,922 houses. ADB will finance subloans provided by the PCBs for 2,929 houses.

7. Under component 2, more than 2,200 local government officials received training in integrated rural development planning and investment promotion strategies in 2013 and 2014. Under component 3, the government implemented 24 additional reforms. Using its own funds and funds from international financial institutions, including ADB,<sup>3</sup> the government provided credit lines to banks to increase lending to MSEs, particularly rural businesses and businesses owned by women.<sup>4</sup> A pilot program for online business registration was also launched in 2014.<sup>5</sup>

8. **Road map and policy framework.** The government policies and programs that underpin the road map continue to be relevant, and key policies have also been updated. The government added NBU to the program in 2013 and the interest rate subsidy is being gradually phased out in line with the Framework Financing Agreement (FFA).<sup>6</sup> Some progress has been made on priority financial sector reforms, with a focus on regulatory changes to prevent both legalizing income from criminal activities and terrorist financing. In 2014, the government made little progress in promoting private investment in affordable housing; only minor regulatory changes were made on transferring property. ADB will continue to support the government's road map through HIRD and other interventions. Good progress has been made on implementing the HIRD MFF Policy Framework, 2011–2015 (FFA, schedule 1). Almost 38,000 houses were built over 4 years (at least 7,000 per year),<sup>7</sup> and more than 40,000 rural construction jobs were created annually. The employer and construction supervisor—Qishloq Qurilish Invest (QQI)<sup>8</sup>—was established as an entity independent from QQB in 2013 and its 13 construction materials companies were sold in 2015.<sup>9</sup> The mortgage loan portfolios of all commercial banks have increased by an average of 50% per year since 2012, five times the annual target of 10%. Studies of Uzbekistan's construction standards and cost- and energy-efficient options for HIRD housing were completed in mid-2015.

9. **Compliance with Undertakings and Covenants.** During project 2 implementation all outstanding deficiencies in government compliance with the FFA were remedied, including divestiture of the 13 construction materials companies and completion of technical and financial performance audits for 2012 and 2013. As a result of these audits, QQI has adopted an action plan to improve its processes and procedures, including (i) civil works procurement, (ii) contract management, (iii) financial management, (iv) beneficiary selection, and (v) materials procurement practices.

10. Four project 1 covenants which were not met at the time of project 2 approval have been resolved: (i) QQB increased its return on average assets ratio to above 0.5%; (ii) QQB submitted audit opinions on the use of loan proceeds and the use of the imprest account and

<sup>3</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of Uzbekistan for the Business and Entrepreneurship Development Project*. Manila.

<sup>4</sup> ADB. 2015. *Performance Review of HIRD Tranches 1 and 2*. Tashkent. (Unpublished).

<sup>5</sup> ADB is helping to improve the government's Single Interactive State Service Portal (my.gov.uz). ADB. 2012. *Technical Assistance to Uzbekistan for E-Government for Effective Public Management*. Manila (TA 8260-UZB).

<sup>6</sup> Three changes have been made to the MFF, all approved by ADB and reflected in amendments to the FFA. The grace period for subloans was extended twice: in 2013 from 6 months to 12 months (for all program years) and in 2015 from 12 months to 3 years for HIRD 2015. The subloan interest rates were changed to correspond to the year of housing construction rather than to the tranche.

<sup>7</sup> Total houses constructed each year: 7,400 in 2011, 8,510 in 2012, 10,000 in 2013, and 11,000 in 2014.

<sup>8</sup> The Ministry of Finance is the majority shareholder of QQI (59%) with Uzbekistan Fund for Reconstruction and Development owning 21%. The rest of the shares are owned by 5 state-owned companies.

<sup>9</sup> As part of the FFA undertakings, QQI was to sell these 13 companies by 1 January 2013. ADB approved two changes in the MFF to extend the completion dates—initially to 30 September 2014 and subsequently to 28 February 2015. The 13 sales agreements were signed by the end of February 2015 and the sales were completed in March 2015.

statement of expenditure procedures for 2012; (iii) the grace period for subloans was aligned to the FFA, and (iv) the PIU submitted its audited financial statements for 2012.

11. During project 2, two covenants were partially complied with: (i) QQB's and NBU's audited project financial statements (APFS) were submitted late due to longer than expected time taken to discuss revised audit terms of reference and to contract the auditor, and (ii) the APFS submitted in 2014 by both QQB and NBU did not meet ADB's requirements, as they were not prepared on a calendar year basis and did not present the 2013 subloans signed prior to the effectiveness of project 2 as being ineligible.<sup>10</sup> The banks submitted revised, qualified APFS in July 2015.<sup>11</sup> ADB will work with each PCB to develop an action plan to help overcome some of the weaknesses in financial management. Technical assistance (TA) will also be mobilized to support these action plans.

12. **Utilization.** Tranches 1 and 2 were approved for \$200 million each, leaving \$100 million available for tranche 3. The MFF is available until 31 December 2016.

13. **Incorporation of lessons learned.** The MFF incorporates both financial intermediation and oversight (but not direct implementation) of thousands of construction contracts across hundreds of construction sites nationwide. Four key lessons from projects 1 and 2 and advance procurement action are being taken into account in the implementation of project 3. First, procurement weaknesses, including in contractor capacity, regional tender commissions, and supervisory structures are being addressed through (i) a nationwide training program for contractors, tender commission members, and government officials involved in HIRD and (ii) an action plan adopted by QQI. Second, contract management needs to be improved. QQI is also addressing this in accordance with its action plan to improve contract management and overall operations (para. 9). Third, QQB needs to improve its procedures to support prompt collection of delinquent payments and registration of collateral agreements.<sup>12</sup> QQB has adopted a time-bound action plan that includes upgraded procedures. The extension of the grace period on principal payments from 12 months to 3 years (footnote 5) is also expected to reduce delinquencies. Fourth, the PIU needs stronger management and a larger technical team to properly manage and monitor the program's three components. The government recently appointed a new PIU head and plans to hire five additional construction inspectors. More technical support for third-party review of construction and delivery of supporting infrastructure, social services, and commercial services will be provided under a new TA project.<sup>13</sup>

<sup>10</sup> In December 2014, the government and ADB agreed that the \$162.453 million disbursed between October 2013 and May 2014 for 2013 subloans would be reallocated to 2014 subloans, and that the financing percentage for 2014 subloans would be increased from 20% to 50%.

<sup>11</sup> The basis for the qualified audit opinions for both PCBs include: (i) not being able to determine if subborrowers were rural residents and met low- to medium-income thresholds; (ii) not being able to determine if subprojects met safeguards requirements; and (iii) not maintaining the statements of expenditure in line with supporting documentation. Additionally, QQB did not comply with imprest account procedures through temporary transfers from that account and subloans documentation for HIRD 2013 was not aligned to the FFA with regard to the interest rate. NBU also failed to comply with imprest account procedures by not keeping part of the loan proceeds in a specifically designated imprest account.

<sup>12</sup> As of 31 December 2014, 27.8% of QQB's loans for houses started before 2014 (i.e., for which the 1-year grace period on principal payments had lapsed) were more than 30 days delinquent—the comparable figure for NBU is only 0.7%—and 4.5% were more than 365 days overdue. As described in footnote 7 of its audited financial statements for 2014, QQB attributes the late payment problem principally to home buyers involved in agricultural activity whose main stream of repayment is strongly dependent on crop seasons. In addition, 71% of QQB's HIRD loans are unsecured because the houses have not yet been registered as collateral for the related loans.

<sup>13</sup> ADB. 2015. *Technical Assistance to Uzbekistan for Enhancing Efficiency in Rural Infrastructure*. Manila (\$600,000).

### III. PERIODIC FINANCING REQUEST

#### A. Impact and Outcome

14. The impact of project 3 will be improved rural housing for targeted beneficiaries. The outcome will be downstreaming of the rural housing scheme for moderate and lower income beneficiaries, with a focus on women. The design and monitoring framework is in Appendix 1.

#### B. Outputs

15. The three outputs of project 3 will be (i) housing loans provided by PCBs to approximately 7,851 targeted creditworthy subborrowers in rural areas; (ii) improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies, with at least 8,000 staff trained; and (iii) an improved enabling environment for entrepreneurs and MSEs to establish or expand new businesses in rural areas.<sup>14</sup>

16. **Component 1** will provide approximately 7,851 affordable rural housing loans to moderate- and lower-income beneficiaries (at least 30% are expected to be women): young families and first-time home owners, single-headed households, and skilled professionals, including teachers and health care workers (two occupations dominated by women).<sup>15</sup> Procurement of small works for the construction of houses under project 3 will be conducted through open competitive selection in accordance with the master bidding document and the HIRD procurement manual, both based on ADB's Procurement Guidelines (2013, as amended from time to time) and developed in consultation with ADB. The local governments will undertake procurement with technical guidance from the Tender Consulting Center. QQI will act as the employer and construction supervisor for the local governments and the home buyers.

17. **Component 2** will support the capacity development of local governments to implement integrated rural development plans and investment promotion strategies in order to create rural jobs. This component will help build the capacity of regional and district officers to prepare, implement, and monitor job creation strategies, integrated rural development plans, and investment promotion strategies. The government and the PIU will completely fund and monitor component 2. At least 8,000 local government staff (at least 30% women) will be trained in 2015.

18. **Component 3** will support strengthening of the enabling environment for rural MSEs. The government will reduce taxes on selected types of MSEs and continue to reduce bureaucratic requirements. For example, the single social tax on micro and small businesses involved in construction will be reduced. The government will completely fund and monitor component 3. At least 10,000 new micro, small and medium enterprises will be established in rural areas in 2015 with at least 30% owned by women.

#### C. Investment and Financing Plans

19. Project 3 is estimated to cost \$942.45 million equivalent, excluding taxes, duties, interest, and other in-kind government contributions or concessions (Table 1). The government has

<sup>14</sup> The facility target for the number of houses built will not be met because 1,100 of the homes originally planned to be financed by ADB have been reallocated to the Islamic Development Bank. The facility target for training will not be met because of the failure to meet targets for projects 1 and 2. The facility targets for microcredit and MSME loans are likely to be met.

<sup>15</sup> Selection criteria for eligible home buyers allow targeting of low- to moderate-income applicants who meet other social indicators defined in accordance with the FFA and included in the facility administration manual (Appendix 3).

requested a loan of \$100 million from ADB's ordinary capital resources for the project. The loan will have an 18-year term, including a grace period of 3 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions as are set forth in the draft loan and project agreements. It will finance the housing loans under component 1. ADB also has a cofinancing arrangement for a \$100 million loan to the government from the Islamic Development Bank (IDB) to construct 1,100 houses in 2015. The financing plan is in Table 2.

**Table 1: Project Investment Plan**

(\$ million)	
Item	Amount
<b>Component 1: Rural Housing Loans</b>	
1. Rural Housing Loans	861.46 <sup>a</sup>
2. Infrastructure and Services	74.78
<b>Component 2: Improving Local Government Capacity<sup>b</sup></b>	0.07
<b>Component 3: Improving MSE Enabling Environment<sup>c</sup></b>	6.14
<b>Total</b>	<b>942.45</b>

HIRD = Housing for Integrated Rural Development, IDB = Islamic Development Bank, MSE = micro and small enterprise, PCB = participating commercial bank.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes a \$100 million loan to the government from IDB to construct 1,100 houses in 2015. This loan is under an ADB-IDB parallel co-financing arrangement. ADB and IDB will adhere to their own policies and procedures with respect to environmental and social safeguards, procurement, disbursement, and financial reporting and auditing. (Source: ADB. 2014. *Minutes of the Meeting with Respect to the Housing for Integrated Rural Development Investment Program in Uzbekistan*. Manila.)

<sup>b</sup> Government-funded parallel national program for local government capacity strengthening.

<sup>c</sup> Government-funded parallel national programs for job creation (\$3.1 million) and skills development (\$3.0 million).

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

**Table 2: Financing Plan**

(\$ million)								
Source	ADB	IDB	PCBs <sup>a</sup>	Sub-borrowers	Gover-nment <sup>b</sup>	Private Sector <sup>c</sup>	Total	Share of Total (%)
<b>Component 1:</b>								
1. Rural Housing Loans	100.00	93.73	404.99	262.74	-	-	<b>861.46</b>	<b>91.41</b>
2. Infrastructure and Services	-	6.27	-	-	42.20	26.31	<b>74.78</b>	<b>7.93</b>
<b>Component 2:</b>								
1. Capacity Development	-	-	-	-	0.07	-	<b>0.07</b>	<b>0.01</b>
<b>Component 3:</b>								
1. Capacity Development	-	-	-	-	6.14	-	<b>6.14</b>	<b>0.65</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>404.99</b>	<b>262.74</b>	<b>48.41</b>	<b>26.31</b>	<b>942.45</b>	<b>100.00</b>
<b>Share of Total (%)</b>	<b>10.61</b>	<b>10.61</b>	<b>42.97</b>	<b>27.88</b>	<b>5.14</b>	<b>2.79</b>	<b>100.00</b>	

IDB = Islamic Development Bank, PCB = participating commercial bank.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes a concessional credit line from the government to the PCBs of \$346.30 million equivalent at 3% per annum for 15 years with a 5-year grace period.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>c</sup> Community and commercial services (including minibanks, markets, shopping centers, and retail services).

Note: Monthly minimum wage for 2015 is SUM118,400 (\$46).

Sources: Government of Uzbekistan and ADB staff estimates.

20. The government will assume the foreign exchange risk and relend the local currency equivalent of \$100 million to QQB (64%) and NBU (36%) under subsidiary loan agreements. The subsidiary loans will have an 18-year term, including a grace period of 3 years, an annual interest rate of 3%, and other terms and conditions as set forth in the loan and project

agreements. QQB and NBU will onlend to home buyers in local currency for 15 years, including a grace period of 3 years, at an annual interest rate of 7% in years 1–5 and 100% of the Central Bank of Uzbekistan refinancing rate in years 6–15. ADB will finance 75% of each subloan.<sup>16</sup>

## D. Implementation Arrangements

21. The Ministry of Economy (MOE) will be the executing agency. The MOE, QQB, and NBU will be the implementing agencies. The MOE PIU will be expanded to strengthen implementation and monitoring during project 3. PIU expenses for 2015–2016 will be financed under the non-credit component of project 2.

22. Project 3 will be implemented in accordance with the facility administration manual (Appendix 3). Table 3 summarizes the implementation arrangements.

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	August 2015–December 2016		
Estimated financial closing date	31 December 2016		
Management			
(i) Executing agency	Ministry of Economy (MOE)		
(ii) Key implementing agencies	MOE, participating commercial banks		
(iii) Implementation unit	Program implementation unit of MOE with 45 staff (including 14 consultants and 20 interns)		
Procurement	National competitive bidding	60 bid packages containing 226 construction contracts for approximately 2,929 houses <sup>a</sup>	\$212,200,000 <sup>b</sup>
Advance contracting	ADB approved advance action for procurement under the project 3 loan on 16 January 2015.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements that the government and ADB have agreed upon.		

ADB = Asian Development Bank, MOE = Ministry of Economy.

<sup>a</sup> This is for ADB-financed construction. Total number of houses in project 3 will be approximately 7,851.

<sup>b</sup> Funded by mortgage loans totaling \$133 million equivalent (75% financed by ADB) and home buyer down payments of \$79.2 million equivalent.

Source: ADB staff estimates.

## E. Project Readiness

23. The procurement plan and procurement arrangements have been defined. A procurement manual and a master bidding document (para. 16) were developed by the PIU, cleared by ADB, and adopted for HIRD procurement. Multiple training sessions on procurement have been delivered. A sample of 27 bid packages (for 67 contracts) for ADB-financed construction has been reviewed. The prior review covered the draft and final invitations for bids, the master bidding document, and technical and financial bid evaluation reports. Safeguards due diligence of all 2015 rural housing sites where PCBs will make mortgage loans has been completed; ADB has reviewed and accepted the due diligence report. Eligible home buyers have been selected (footnote 14).

## F. Advance Contracting

24. ADB approved advance action for procurement on 16 January 2015, subject to requiring extensive advertising of the program and prior review by ADB of 26 bid packages (the first two

<sup>16</sup> Over the 5-year MFF term, ADB's weighted average financing share is 27%, which is less than the 35% share that was anticipated when the MFF was processed.

from each of the 13 regions). Invitations for bids were issued for 5,172 HIRD 2015 houses (to be financed by QQB and NBU without ADB financing) in January–February 2015 using the same requirements as for ADB-financed houses. The invitations for bids for construction contracts for the HIRD 2015 houses to be financed by ADB (approximately 2,929 houses across 13 regions, divided into 60 packages with multiple contracts) were issued on 1 May 2015.<sup>17</sup> Construction of houses not financed by ADB began in April–May, while the ADB-financed construction will start after project 3 loan effectiveness.

#### IV. DUE DILIGENCE

25. The Periodic Financing Request was submitted on 31 March 2015. MOE provided a site selection safeguard due diligence report and documents confirming budget contributions for the program, which ADB has validated.

##### A. Economic and Financial

26. ADB conducted an economic assessment of the program, which determined that the houses were affordable for moderate- to lower-income families (Appendix 7).

27. ADB also conducted financial and integrity due diligence for both PCBs. Both QQB and NBU have been determined to be eligible, although improvements can be made in the following areas:<sup>18</sup> (i) strengthening corporate governance and risk management systems; (ii) recruiting more professionally qualified accounting staff and increasing training for accounting staff; (iii) improving the quality of project audits; and (iv) improving the administration of QQB's assets, including reducing its non-performing loans and speeding up the registration of loan collateral.<sup>19</sup> Each PCB is committed to improving its corporate governance and risk management systems, especially by recruiting more qualified accountants and training current accounting staff. QQB has an action plan that includes a gradual reduction in the proportion of mortgage loans in QQB's loan portfolio and steps to reduce the level of the bank's non-performing and uncollateralized loans, as well as ensuring registration of all houses as mortgage collateral. NBU and QQB have been deemed generally compliant with the requirements for PCBs set forth in schedule 4 of the FFA. The two banks will be closely monitored for ongoing compliance; QQB will also be monitored for its action plan implementation. Appendix 7 provides details on the assessments of both banks.

##### B. Governance

28. In project 3, the PIU will oversee timely preparation of the technical financial performance audits (TFPAs) for HIRD 2014 and HIRD 2015, with the reports submitted to ADB within 4 months from the signing of the contract with the auditors, or by 30 June 2016 for the TFPAs for HIRD 2014 and by 30 September 2016 for the TFPAs for HIRD 2015.

29. Many of the findings of the TFPAs for 2012 and 2013, which were completed during project 2, are encouraging. The home buyer selection process is satisfactory and credit assessment is adequate. In 2013, of the 34,618 applications received, 9,380 were determined to be eligible—a 10.2% increase from 2012. The reasons for rejecting certain subloan

<sup>17</sup> ADB will complete a review (sampling) of HIRD 2012 and HIRD 2013 procurement by September 2015 to confirm conformity with ADB's *Procurement Guidelines*. A review (sampling) of HIRD 2014 procurement will subsequently be conducted.

<sup>18</sup> Table 3 of the Financial Assessment (Appendix 7) shows the PCBs' compliance with the financial ratios based on their 2014 audited financial statements.

<sup>19</sup> In May 2015, Moody's Investors Service awarded QQB a Local Currency rating of B2 and a Foreign Currency rating of B2. Moody's also assigned stable outlooks to all of the affected long-term ratings.

applications included a lack of down payment, poor creditworthiness, no credit repayment source, and no credit history. In setting house prices, the costs of implemented works reflected the prices in the contracts. However, improvements can be made in estimating costs, introducing more precise methods for defining and classifying equipment, and ensuring QQI's administrative expenses are shown more clearly. The construction quality of HIRD houses is satisfactory and is improving each year. Housing construction complies with designs. However, the designs in some regions could better reflect local conditions, including (i) actions to prevent water penetration into plinth walls,<sup>20</sup> (ii) stipulating the materials for all doors to improve their quality, (iii) providing standards for propane gas tanks where the gas supply is irregular, and (iv) improving the documentation to ensure authorized people sign off on construction. HIRD provides good value for money. Home owners are also satisfied with their new houses because: (i) the land for the house is provided for free to the buyer on a long lease arrangement; (ii) housing construction benefits from tax and customs privileges, and mortgage payments receive tax benefits; (iii) HIRD subloan terms and conditions are more favorable than standard mortgages; (iv) most construction materials are centrally procured, which allows bulk buying discounts to be obtained; and (v) the house design provides modern facilities and comforts—such as hot and cold running water, modern plumbing and indoor bathrooms, and a spacious indoor kitchen. The TFPAs recommended some improvements in procurement, which have been discussed with the MOE, the State Committee for Architecture and Construction, QQI, the Tender Consulting Center, and others for action. ADB has incorporated some of these recommendations into the procurement process for project 3 and will closely monitor the implementation of the TFPA-recommended actions.

30. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government, the MOE, and the PCBs. The specific policy requirements are described in the updated facility administration manual (Appendix 3).

### **C. Poverty, Social, and Gender Dimensions**

31. Project 3 supports the government's goal of reducing poverty incidence to 13.7% by 2015. The project will contribute to greater inclusive economic growth by creating rural construction jobs and increased business opportunities for rural entrepreneurs and MSEs.

32. Project 3 is categorized as effective gender mainstreaming. The Gender Action Plan (Appendix 4) builds on efforts during projects 1 and 2 to promote better access to improved rural housing for women, as well as to integrate gender issues into HIRD capacity development approaches and training curricula. In project 3, 30% of the beneficiaries selected to receive houses financed by ADB will be women.

33. In project 3, regional disparities in women's participation in the program will be assessed and recommendations will be developed to address them. In addition, the PCBs will develop and adopt gender policies. Beginning with houses started in 2016, property registration certificates for houses financed with HIRD loans will be issued in the names of both spouses, regardless of which one is the borrower of record.<sup>21</sup>

### **D. Safeguards**

34. Subprojects will comply with ADB's Safeguard Policy Statement (2009) as well as Uzbekistan's labor, environmental, health, safety, and social laws and regulations. The project falls under the financial intermediation category of the Safeguard Policy Statement and is

<sup>20</sup> The lowest part of the house wall that appears above ground level.

<sup>21</sup> Detailed procedures to implement this action will be developed by the government in consultation with ADB.

classified as category C for the environment, involuntary resettlement, and indigenous peoples. To ensure that only subprojects classified as category C will be financed under project 3, each PCB will continue to implement an Environmental and Social Management System (ESMS). Both QQB and NBU have adequate capacity and systems to implement an ESMS and have submitted annual ESMS reports for 2012, 2013, and 2014 that ADB has found acceptable. These reports include assessments of QQI's oversight of HIRD contractors' compliance with labor laws and health and safety regulations. Consultants hired by the PIU have conducted due diligence and determined that the 209 sites on which construction of HIRD houses financed by QQB and NBU is scheduled to begin in 2015 meets ADB's and Uzbekistan's national safeguards requirements. ADB safeguards specialists have validated these findings.

35. The project's climate risk classification is medium. The Ministry of Emergency Situations coordinates the evaluation of climate risks such as floods, landslides, mudslides, and avalanches. HIRD housing sites are vetted by variety of government agencies including: (i) the Center of Hydrometeorological Service at Cabinet of Ministers of the Republic of Uzbekistan (Uzhydromet), (ii) the State Committee for Nature Protection, and (iii) the State Committee for Land Resources, Geodesy, Cartography and State Cadastre. These agencies screen the sites for climate change risks including floods and other natural disasters.

## E. Risks and Mitigating Measures

36. A number of risks require resources and timely attention to manage effectively. Major risks and mitigating measures are summarized in Table 4 and are described in detail in the risk assessment and risk management plan (Appendix 6).

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
Satisfactory audited project financial statements not submitted on a timely basis	A well-defined terms of reference has been developed. Extensive dialogue has been conducted with PCBs and their external auditing firm to help ensure that previous delays will not be repeated.
Financial management assessment and financial due diligence finds risks in the PCBs' governance and financial management systems	Corporate governance and risk management systems are driven by the significant state ownership in the two banks.  The PCBs are willing to recruit more qualified accounting staff, including those who have a better understanding of international financial reporting standards, and to increase training to keep staff up-to-date. Each PCB is also in compliance with the financial reporting requirements of the Central Bank of Uzbekistan.
Tendering of construction contracts not conducted properly, requiring rebidding, and delaying contracts	ADB has provided training to staff of the Tender Consulting Center, tender evaluation committee members, and contractors. A procurement manual and standard bid documents (invitation for bid, master bidding document) have been prepared and approved by ADB and adopted nationwide. ADB-approved templates for bid proposals, bill of quantities, and bid evaluation reports are being utilized. ADB will conduct prior review of 67 contracts (27 NCBs), while 20% of the remaining 70% of the contracts will be post reviewed. Initial results of procurement reforms undertaken for project 3 are positive.
Contracts are not properly prepared and do not include all required documents	Training has been provided to QQI staff involved in contracting process. QQI has adopted and is implementing an action plan to institute improvements in its processes and procedures, including those involving contract management. On 22 April 2015, the Cabinet of Ministers issued an order regarding the proper issuance of performance guarantees by banks. ADB will conduct a post review of selected contracts. ADB TA will also support QQI to improve its contracting processes.
Home buyers are unable to repay mortgage loans on time Lack of affordability of new houses by home buyers	Grace period on principal payments has been extended from 12 months to 3 years; PCBs will consider adjusting repayment schedules when appropriate.  Both PCBs will continue to conduct careful credit assessments of home buyers. About 80% of construction materials will be centrally procured to reduce costs and ensure quality. Bidding procedures have been improved to ensure transparency and enhanced procurement quality.

<b>Risks</b>	<b>Mitigating Measures</b>
Poor construction quality of houses and insufficient grievance redress	During construction and before handover, houses will be inspected by various agencies to ensure compliance with design and regulatory standards. Home purchase agreements include provisions on home buyer rights and a 5% holdback to ensure remedial work is done. A public information campaign informs home buyers of these rights. A TFPA will assess construction issues and ADB TA (paras. 13, 37, and footnote 12) will build capacity in respective government agencies.

ADB = Asian Development Bank, PCB = participating commercial bank, QQI = Qishloq Qurilish Invest, TA = technical assistance, TFPA = technical and financial performance audit.

Source: Asian Development Bank.

37. A capacity development TA project will provide additional consulting support to the government in order to improve procurement and construction supervision. The ADB team will work closely with the MOE, the State Committee for Architecture and Construction, the Tender Consulting Center, QQI, and other involved agencies to help improve their processes.

## **F. Risk Categorization**

38. The project is categorized as low risk because it has the following features: (i) the loan amount does not exceed \$200 million; (ii) ADB has a sound record of experience in the finance sector in Uzbekistan; (iii) the MOE has reasonable capacity to administer externally financed projects; and (iv) the project's safeguards categorization is FI and treated as C.

## **V. ASSURANCES AND CONDITIONS**

39. The government and the PCBs have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender and development, procurement, consulting services, and disbursement as described in detail in the facility administration manual and the loan documents. The government and the PCBs have agreed with ADB on certain covenants which are set forth in the loan and project agreements.

## **VI. RECOMMENDATION**

40. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranches financing facility in an aggregate principal amount not exceeding \$500,000,000 to the Republic of Uzbekistan for the Housing for Integrated Rural Development Investment Program, it is recommended that the President approve the proposed tranche as described in paragraph 19 of this report and the draft loan and project agreements for the proposed tranche substantially in the forms attached to this report.

## DESIGN AND MONITORING FRAMEWORK—PROJECT 3

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Improved rural housing for targeted beneficiaries	At least 95% of 40,800 new rural modern homes under the RHS with access to basic utilities owned and occupied by “targeted” beneficiaries (moderate- to low-income households, young families, single-headed households, rural teachers and health workers) (of which 30% are women)	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs, QQI and <i>hokimiyats</i>	<b>Assumptions</b> Government implements HIRD road map, and related programs to promote rural development on a timely basis
<b>Outcome</b> Downstreaming of rural housing scheme for moderate- and lower-income beneficiaries, with a focus on women	<p>Use of defined beneficiary selection criteria, public awareness campaign, social prioritization of applicants, one year post-construction warranty, grievance process, and monitoring framework by September 2016</p> <p>At least 26,070 applicants in 2015 for housing loans under the scheme, of which at least 7,851 are selected as targeted beneficiaries (home buyers) by December 2015.</p>	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs	<b>Assumptions</b> The program continues to be well coordinated ensuring timely delivery of houses General wage increases are adequate and are not outpaced by market prices of construction materials <b>Risks</b> HIRD house construction contracts are not prepared properly Low construction quality of HIRD houses PCBs delay submission of satisfactory audited project financial statements
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas 2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies 3. Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas	<p>About 7,851 housing loans provided to targeted beneficiaries, <i>of which at least 30% are women</i>, by December 2015</p> <p>By December 2016 at least 8,000 local government staff, <i>of which at least 30% are women</i>, trained in 2015 in HIRD processes and participatory development of integrated rural development planning and investment promotion strategies</p> <p>By December 2016, revised and updated integrated rural development planning and investment promotion strategies issued by selected regions in the country</p> <p>Total microcredit lending in rural areas increased from SUM716 billion in 2012 to SUM1361 billion in by December 2016, with at least 750 new microloans (<i>of which at least 30% are to women</i>) and 750 new MSME loans (<i>of which 30% are to women</i>) to HIRD homebuyers</p> <p>At least 10,000 new MSMEs, <i>of which at least 30% are women-owned</i>, established in rural areas by December 2016; of which at least 750 are established by HIRD homebuyers</p>	<p>Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs</p> <p>Specialized project reports (with sex-disaggregated results) prepared by EA (PIU)</p> <p>Ministry of Economy and Regional Government reports</p> <p>Central bank of Uzbekistan reports</p> <p>Chamber of commerce (Republic of Uzbekistan) reports</p>	<b>Assumptions</b> Microfinance lending capacity high in project areas Local governments provided with sufficient budget resources to revise and implement integrated rural development plans and investment promotion strategies and to provide adequate infrastructure on a timely basis New homebuyers have sufficient resources and capacity to start new businesses <b>Risks</b> The PCBs’ fail to improve their risk management systems Houses are unaffordable and home buyers are unable to repay mortgage loans on a timely basis

Activities with Milestones	Inputs
<p><b>Output 1: Housing Loans provided by PCBs to targeted creditworthy subborrowers in rural areas</b></p> <p><b>1.1</b> The Government (SCAC and technical agencies) identifies, selects, and approves land sites for HIRD 2015 by April 2015</p> <p><b>1.2</b> The Government (national government, local government and service delivery agencies) plans and constructs the relevant infrastructure required for the house at housing sites for HIRD 2015 by March 2016</p> <p><b>1.3</b> The Government (PCBs), in close coordination with PIU, undertakes a gender sensitive public information campaign for HIRD 2015 from October 2014 to April 2015</p> <p><b>1.4</b> PCBs solicit housing loan applications, process selected applicants for creditworthiness, eligibility, targeting and selects homebuyers for HIRD 2015 by April 2015</p> <p><b>1.5</b> Subborrowers pay at least 25% down payment to PCBs and select their home model for HIRD 2015 by May 2015</p> <p><b>1.6</b> The Government (<i>hokimiyats</i> with technical guidance of TCC) undertakes open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2015 by July 2015</p> <p><b>1.7</b> The Government (QQI, QQL and Regional Design Institutes, and SCAC, with close oversight by PIU) undertakes a pre-defined HIRD inspection program that includes an inspection prior to handover, which subborrowers may also confirm, and submits an annual report on findings and recommendations to ADB on HIRD 2015 by February 2016</p> <p><b>1.8</b> The Government hands over the completed houses to the subborrowers for HIRD 2015 by September 2016 and banks register 100% of homes as mortgage collateral by December 2016</p> <p><b>1.9</b> The Government (MOE/PIU) commissions the annual technical financial performance audits for HIRD 2014 and HIRD 2015, with the reports submitted to ADB within 4 months from the signing of the contract with the auditors, or by 30 June 2016 for the TFPA for HIRD 2014 and by 30 September 2016 for the TFPA for HIRD 2015</p>	<p>ADB (Ordinary Capital Resources): \$100.00 million</p> <p>IDB: \$100.00 million</p> <p>PCBs: \$404.99 million</p> <p>Subborrowers: \$262.74 million</p> <p>Government of Uzbekistan: \$48.41 million</p> <p>Private Sector: \$26.31 million</p>
<p><b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b></p> <p><b>2.1</b> The Government (MOE together with respective technical agencies) develops, adopts and delivers a gender sensitive annual plan of HIRD local government capacity building training to improve <i>hokimiyat</i> capacity to develop integrated community development plans and investment promotion strategies from September 2015 to December 2016</p> <p><b>2.2</b> The Government (MOE) supports the trained staff to develop and implement district and regional integrated district community development plans with targeted growth improvements from September 2015 to December 2016</p> <p><b>2.3</b> Selected regions issue revised and updated integrated rural development planning and investment promotion strategies by December 2016</p>	
<p><b>Output 3: Improved enabling environment for entrepreneurs and MSEs to establish or expand new business in rural areas</b></p> <p><b>3.1</b> The Government (CBU) develops and delivers a time-bound action plan for expanding rural MSME borrowing and investment options, especially for HIRD homebuyers, from September 2015 to September 2016</p> <p><b>3.2</b> The Government (MOE with other key stakeholders) continues to support online business registration system from September 2015 to September 2016.</p>	

ADB = Asian Development Bank, CBU = Central Bank of Uzbekistan, EA = executing agency, HIRD = Housing for Rural Integrated Development, IDB = Islamic Development Bank, MOE = Ministry of Economy, MSE = micro or small enterprise, MSME = micro, small, or medium-sized enterprise, NPL = non-performing loan, PCB = participating commercial bank, PIU = program implementation unit, QQI = Qishloq Qurilish Invest, QQL = Qishloq Qurilish Lohiya, RHS = Rural Housing Scheme (now HIRD), SCAC = State Committee on Architecture and Construction, TCC = Tender Consulting Center, TFPA = technical financial performance audits.

Betty Wilkinson  
Director

Public Management, Financial Sector and Trade Division  
Central and West Asia Department

Sean O'Sullivan  
Director General

Central and West Asia Department

## PERIODIC FINANCING REQUEST

Date: 27 March 2015

To: Asian Development Bank  
6 ADB Avenue  
Mandaluyong City, Metro Manila 1550  
Philippines

ATTENTION: Director General  
Central and West Asia Department  
Fax No. +632 636 2301

Sir:

**RE: Housing for Integrated Rural Development Investment Program:  
Periodic Financing Request #3**

Please refer to the Framework Financing Agreement ("FFA") for the Housing for Integrated Rural Development ("HIRD") Investment Program, dated 29 July 2011, between the Asian Development Bank ("ADB") and the Republic of Uzbekistan ("Uzbekistan"). Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, Uzbekistan requests ADB to process this Periodic Financing Request ("PFR") for a tranche, in the form of a loan from its ordinary capital resources. The proposed financing amount, terms, conditions, and related financing plan are set forth in the Attachment hereto. A description of the project for which financing is hereby requested is set out in said Attachment.

By: Republic of Uzbekistan



Rustam Azimov  
Minister of Finance,  
Ministry of Finance of the Republic of Uzbekistan

## Attachment

### Project Description

HIRD will narrow the rural-urban gap by: (i) increasing access to modern rural housing, (ii) strengthening local government capacity for integrated rural planning and more results based delivery of services to rural communities, and (iii) advancing regional industry development, attracting regional investment, and diversifying and increasing rural jobs. Tranche 3 will provide funding for rural housing loans made in year 2015 of this five- year program. The Design and Monitoring Framework for Tranche 3 is provided as Annex 1.

**Impact and outcome.** The impact of Tranche 3 is improved rural housing for targeted beneficiaries. The outcome is downstreaming of the rural housing scheme for moderate and lower income beneficiaries, with a focus on women. Tranche 3 will improve living standards for at least 12000 rural families, generate opportunities for about 1200 small contractors, and create an estimated 60000 construction jobs for the rural population across the nation.

**Outputs.** Tranche 3 outputs will be (i) housing loans provided by two participating commercial banks (PCBs)—Qishloq Qurilish Bank (QQB) and the National Bank of Uzbekistan (NBU) — to targeted creditworthy subborrowers in rural areas; (ii) improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies; and (iii) an improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas.

### Cost Estimates and Financing Plan

The total cost of the Tranche 3 project (Project 3) is estimated at \$942.45 million equivalent. Cost estimates and the financing plan for Project 3 are presented below:

**Table 1: Project 3 Investment Plan**  
(\$ million)

Component 1: Rural Housing Loans	Amount
1. Rural Housing Loans	861.46
2. Infrastructure and Services	74.78
<b>Components 2: Improving Local Government Capacity</b>	
Capacity Development	0.07 <sup>a</sup>
<b>Components 3: Improving MSE Enabling Environment</b>	
Capacity Development	6.14 <sup>b</sup>
<b>Total</b>	<b>942.45</b>

MSE = micro and small enterprise

<sup>a</sup> Capacity development under parallel national programs for local government capacity strengthening (\$0.07 million).

<sup>b</sup> Capacity development under parallel national programs for job creation (\$3.14 million) and skills development (\$3.00 million).

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD participating commercial banks, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

Source: Government of Uzbekistan and Asian Development Bank estimates.

**Project 3 Financing Plan  
(\$ million)**

Components	ADB	IDB	PCBs <sup>a</sup>	Sub-borrowers	GOU <sup>b</sup>	Private Sector <sup>c</sup>	Total	Share of Total (%)
<b>Component 1:</b>								
1. Rural Housing Loans	100.00	93.73	404.99	262.74			<b>861.46</b>	<b>91.41%</b>
2. Infrastructure and Services		6.27			42.20	26.31	<b>74.78</b>	<b>7.93%</b>
<b>Component 2:</b>								
Capacity Development	-		-	-	0.07	-	<b>0.07</b>	<b>0.01%</b>
<b>Component 3:</b>								
Capacity Development	-		-	-	6.14	-	<b>6.14</b>	<b>0.65%</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>404.99</b>	<b>262.74</b>	<b>48.41</b>	<b>26.31</b>	<b>942.45</b>	<b>100.00%</b>
<b>Share of Total %</b>	<b>10.61%</b>	<b>10.61%</b>	<b>42.97%</b>	<b>27.88%</b>	<b>5.14%</b>	<b>2.79%</b>	<b>100.00%</b>	

PCBs = participating commercial banks, IDB = Islamic Development Bank, GOU = government of Uzbekistan

<sup>a</sup> Includes an additional concessional credit line from the government of \$346.30 million.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads).

<sup>c</sup> Commercial services (minibanks, markets, shopping centers, and retail services).

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD participating commercial banks, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

Minimum wage for 2015 equal to 118 400 UZB Soum

Source: Government of Uzbekistan and Asian Development Bank estimates.

#### **Loan Amount and Terms**

For Project 3, a loan of \$100 million equivalent is requested from the ordinary capital resources of the Asian Development Bank (ADB), provided under ADB's London interbank offered rate (LIBOR)-based lending facility with the following terms: an 18 year term that includes a grace period of three years, an interest rate determined in accordance with ADB's LIBOR-based lending facility, a commitment charge, and such other terms and conditions as agreed in the FFA and further supplemented under the Loan and Project Agreement.

#### **Period of Loan Utilization**

Project 3 is expected to be completed by September 2016, with no disbursements from the loan account requested or made later than two years from the effective date of the loan agreement for this tranche.

#### **Advance Contracting**

Advance procurement action has been approved for Project 3 for about 1200 civil works packages with a total estimated value of \$ 845.21 million.

#### **Implementation Arrangements**

The Ministry of Economy (MOE) is the Executing Agency for HIRD. For Component 1, the PCBs and QQI are the implementing agencies. For Components 2 and 3, MOE is the implementing agency.

The local currency equivalent of the remaining loan proceeds will be relented by the Government under subsidiary loan agreements to QQB and NBU in the following proportions: 82% to QQB and 18% to NBU. The proposed allocation is based upon outreach of rural branch network, business experience with HIRD targeted beneficiaries and mortgage loan financing, and diversity and risk structure of lending portfolio.

Each HIRD new home buyer will be able to choose among the two PCBs, all of which will make subloans to subborrowers in accordance with the procedures set out in the Loan Agreement and the Facility Administration Manual (FAM), as agreed with ADB.

**Procurement and Consulting Services**

The Project 3 Procurement Plan is attached as Annex 2.

**Confirmation of Continuing Validity of and Adherence to Provisions of FFA and Previous Loan Agreement**

Uzbekistan confirms that the understandings set out in the FFA and the provisions of Tranche 1 and Tranche 2 Loan Agreement have been adhered to and remain true to date. Progress has advanced on critical policy actions and reform measures. Confirmation of the continuing validity of and adherence to specific understandings set out in the FFA and provisions of the Tranche 1 and Tranche 2 Loan Agreement is as outlined in Annex 3.

**Readiness of the Project for Implementation**

1. Status of Implementation of Tr1 – HIRD 2012 complete
2. Status of Implementation of Tr2 – HIRD 2013 and HIRD 2014 complete
3. Status of Preparation of HIRD 2015 (Site Selection – complete, Beneficiary Selection – to be completed by April 2015, Tender and Award of Construction Contracts – to be completed by June 2015).

For Project 3, due diligence has been undertaken that encompasses economic, financial, governance, safeguard, and technical issues. Important design elements adopted under Project 1 and Project 2 to support greater transparency, accountability, and governance will be further strengthened under Project 3. These include: (i) in-depth oversight of site selection and safeguards due diligence; (ii) a nationwide multimedia public information campaign; (iii) a social scoring framework and social prioritization process; (iv) nationwide adoption of procurement guidelines and standard bid documents that are in accordance with ADB procurement requirements; (v) use of a preprogrammed electronic bill of quantities for engineering estimates and financial bids; (vi) close oversight of the bidding process and in-depth post review of bid evaluation and contract awards; (vii) a monitoring framework for construction inspection and quality assurance processes; (viii) a technical-financial performance audit to be implemented annually; (ix) a results based monitoring framework and program performance report that will be published annually; and (x) adoption of measures under the policy framework that accelerate market development and greater competition.

**Safeguards**

The Project 3 loan (as in the case of the MFF and Project 1 and Project 2) is to be classified as category FI (financial intermediary) and treated as impact category C for all safeguards. QQB and NBU have adopted an environmental and social management system (ESMS) with screening criteria and monitoring procedures that ensure that: (i) subprojects have minimal or no adverse environmental or social risks; (ii) none of the housing sites have involuntary resettlement or indigenous peoples impacts; and (iii) all housing sites are (a) categorized as state-reserved lands and approved for residential use, and (b) certified as technically and environmentally appropriate for housing construction.

Additionally, due diligence assessments will be carried out annually by the PCBs, in close coordination with ADB, to ensure that all new houses and house lots financed by ADB are in full compliance with ADB safeguards and ADB's Safeguard Policy Statement (2009), and with Uzbekistan's labor and environmental legislation and regulations.

### DESIGN AND MONITORING FRAMEWORK for Tranche 3

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Improved rural housing for targeted beneficiaries	At least 95% of 40,800 of new rural modern homes under the RHS with access to basic utilities and related social and commercial services owned and occupied by "targeted" beneficiaries (moderate to lower-income households, young families, single-headed households, rural teachers and healthcare workers), <i>of which at least [30%] are women</i>	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs, QQI and hokimiyats	<b>Assumptions</b> Government implements HIRD, roadmap, and related programs to promote rural development on a timely basis
<b>Outcome</b> Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women	Use of defined beneficiary selection criteria, public awareness campaign, social prioritization of applicants, one year post-construction warranty, grievance process, and monitoring framework in 2015.  At least 26,070 applicants of which at least 8,690 targeted beneficiaries processed during 2015 for housing loans under the scheme.	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs	<b>Risks</b> Poor coordination between various parts of government affects timely delivery of houses  General wage increases outpaced by market prices of construction materials
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas  2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies  3. Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas	About 8,690 housing loans provided to targeted beneficiaries, <i>of which at least [30%] are women</i> , in 2015  At least 8,000 local government staff, <i>of which at least [30%] are women</i> , trained in 2015 in HIRD processes and participative development of integrated rural development planning and investment promotion strategies  Total microcredit lending in rural areas increases from SUM716 billion in 2012 to SUM1361 billion in 2015, with at least 750 new microloans ( <i>of which 30% are to women</i> ) and 750 new MSME loans ( <i>of which 30% are to women</i> ) to HIRD homebuyers  At least 10,000 new MSMEs, <i>of which at least 30% are women-owned</i> , established in rural areas in 2015; of which at least 750 are established by HIRD homebuyers	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs  Specialized project reports (with sex-disaggregated results) prepared by EA (PIU)  Central bank of Uzbekistan reports  Chamber of commerce (Republic of Uzbekistan) reports  Ministry of Economy reports	<b>Assumptions</b> Microfinance lending capacity high in project areas

Activities with Milestones	Inputs
<b>Output 1: Housing Loans provided by PCBs to targeted creditworthy subborrowers in rural areas</b>	ADB: \$100.00 million IDB: \$100.00 million
1.1 The Government (State Committee of Architecture and Construction and technical agencies) identifies, selects, and approves land sites for HIRD 2015 by February 2015	PCBs: \$404.99 million
1.2 The Government (national government, local government and service delivery agencies) plans and constructs the relevant infrastructure required for the house at housing sites for HIRD 2015 by March 2015	Subborrowers: \$262.74 million
1.3 The Government (PCBs), in close coordination with PIU, undertakes a gender sensitive public information campaign for HIRD 2015 from October 2014 to April 2015	Government of Uzbekistan: \$48.41 million
1.4 PCBs solicit housing loan applications, process selected applicants for creditworthiness, eligibility, targeting and selects homebuyers for HIRD 2015 by March 2015	Private Sector: \$26.31 million
1.5 Subborrowers pay at least 25% down payment to PCBs and select their home model for HIRD	

Activities with Milestones	Inputs
<p>2015 by March 2015</p> <p>1.6 The Government (hokimiyats with technical guidance of TCC) undertakes open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2015 by April 2015</p> <p>1.7 The Government (QQI, QQL and Regional Design Institutes, and SCAC, with close oversight by PIU) undertakes a pre-defined HIRD inspection program that includes an inspection prior to handover, which subborrowers may also confirm and submits an annual report on findings and recommendations to ADB on HIRD 2015 by February 2016</p> <p>1.8 The Government hands-over the completed houses to the subborrowers for HIRD 2015 by March 2016</p> <p>1.9 The Government (MOE/PIU) commissions the annual technical-financial performance audit for HIRD 2015 to start in March 2016 and be completed by August 2016.</p> <p><b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b></p> <p>2.1 The Government (MOE together with respective technical agencies) develops, adopts and delivers an gender sensitive annual plan of HIRD local government capacity building training to improve <i>hokimiyat</i> capacity to develop integrated community development plans and investment promotion strategies from April 2015 to June 2016</p> <p>2.2 The Government (MOE) supports the trained staff to develop and implement district and regional integrated district community development plans with targeted growth improvements from July 2015 to June 2016.</p> <p><b>Output 3: Improved enabling environment for entrepreneurs and MSEs to establish or expand new business in rural areas</b></p> <p>3.1 The Government (CBU) develops and delivers a time-bound action plan for expanding rural MSME borrowing and investment options, especially for HIRD homebuyers from April 2015 to September 2016</p> <p>3.2 The Government (MOE with other key stakeholders) continues to support online business registration system.</p>	

ADB = Asian Development Bank, EA = executing agency, ESMS = environmental and social management system, FFA = framework financing agreement, GAP = gender action plan; HIRD = Housing for Rural Integrated Development, MFF = multitranchise financing facility, MOF = Ministry of Finance, MSME = micro, small, or medium-sized enterprise, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, QQL = Qishloq Qurilish Lohiya, SCAC = State Committee on Architecture and Construction, TCC = Tender Consulting Center.

### Procurement Plan for Tranche 3

1. **Program procurement thresholds.** Except as ADB may otherwise agree, the following thresholds shall apply to procurement of goods and works:

**Table 1: Thresholds for Procurement of Works and Goods**

Procurement Method	Threshold
International Competitive Bidding (ICB) for Works	\$2.0 million or more
National Competitive Bidding (NCB) for Works	Less than \$2.0 million
National Competitive Bidding for Goods	Less than \$500,000
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

Source: ADB staff.

2. **ADB prior or post review.** Except as ADB may otherwise agree, the following prior or post review requirements apply to procurement and consultant recruitment methods used.

**Table 2: Review of Procurement of Works and Goods**

Procurement Method	Prior or Post Review
ICB Works	Prior
NCB Works	Prior (sample); Post (remainder)
NCB Goods	Prior
Shopping for Works	Prior
Shopping for Goods	Prior
<b>Recruitment of Consulting Firms</b>	Prior
<b>Recruitment of Individual Consultants</b>	Prior

ICB = international competitive bidding, NCB = national competitive bidding.

Source: ADB staff.

3. **Procurement and contract document formats.** HIRD standard bidding documents and contract formats, HIRD bid evaluation report templates, and other HIRD procurement documents cleared by ADB for Tranche 2 will be utilized for all Tranche 3 procurement financed by ADB and procurement financed solely by the Government (except procurement financed by the Islamic Development Bank and those subloans provided by Ipoteka Bank [not a participating commercial bank]). Subsequent modifications to standardized formats will require ADB review and clearance prior to their adoption.

4. Table 3 contains an indicative list of smaller-value goods, works, and consulting services contracts for which procurement activity financed by ADB is either ongoing or expected to commence within the next 12 months.

**Table 3: List of Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000**

General Description	Indicative Contract Value (aggregate)	Indicative Number of Contracts	Procurement / Recruitment Method
Civil works (house construction)	\$201,600,000	2800 <sup>1</sup>	NCB

NCB = national competitive bidding.

Source: ADB staff.

<sup>1</sup> The Government is considering reducing the number of contracts, and by implication increasing the number of houses constructed per contract, for those houses which are financed by ADB.

## Analysis of Compliance with Undertakings in Framework Financing Agreement Housing for Integrated Rural Development (HIRD) Investment Program

Framework Financing Agreement (FFA) Schedule 6 Undertaking	Status as at 1 March 2015
<p><b>1. Implementation of the Housing for Integrated Rural Development Investment Program.</b> Uzbekistan and the PCBs will:</p> <p>a) ensure timely implementation of the Program (Investment Plan and Policy Framework), including executing the implementation arrangements set out in Schedule 3 to this FFA and monitoring and evaluating implementation based on the Design and Monitoring Framework set out in Schedule 2 to this FFA; and</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>b) ensure that all projects financed under the Facility are selected and approved in accordance with the criteria and procedure set out in Schedule 4 to this FFA.</p>	<ul style="list-style-type: none"> <li>• Complied with.</li> </ul>
<p><b>2. Implementation of the Rural Housing Scheme.</b> Uzbekistan will</p>	
<p>a) give priority and provide adequate resources for the implementation of the RHS, as well as related activities, during the term of this Investment Program;</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>b) notify ADB of any changes to the RHS, or related activities, during the term of this Facility or any policies that may otherwise substantially affect the Investment Program; and</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>c) consult with ADB through a policy dialogue affecting any of these elements. This includes the following:</p>	
<p>i. Uzbekistan will allocate in its national budget for 2012, 2013, 2014 and 2015, counterpart financing for an aggregate of approximately 40,800 houses under the Rural Housing Scheme, and related infrastructure and social services in 2012, 2013, 2014 and 2015. Uzbekistan will also ensure that the PCBs make provision for the financing of subloans in 2012, 2013, 2014 and 2015. The foregoing counterpart financing by Uzbekistan, and provisions for financing of subloans by the PCBs, will be made by the end of 2011, 2012, 2013 and 2014 respectively.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>ii. Uzbekistan will cause QQI to sell its construction materials businesses/companies (comprising 12 brick companies and 1 door, window and roof factory) by 1 January 2013.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> <li>• In January 2013, a study of options for the sale of QQI's construction materials businesses/companies was finalized, in accordance with Presidential Decree No. PP-1902, "On the program for construction of individual housing in model projects in rural areas in 2013". The study determined that a number of legal procedures related to finalizing property registration were required to be completed prior to their sale.</li> <li>• In May 2013, all of QQI's construction material companies were transferred to Qishloq Qurilish Management Group OJSCB (a new subsidiary of QQB) to expedite finalization of legal arrangements needed to effect their sale.</li> <li>• In July 2013, QQB adopted an action plan to complete divestment and sale of the construction material</li> </ul>

Framework Financing Agreement (FFA) Schedule 6 Undertaking	Status as at 1 March 2015
	<p>companies by September 2014.</p> <ul style="list-style-type: none"> <li>• Paragraph 2 of Schedule 5 of the Project 2 loan agreement, signed in October 2013, required QQB to sell the construction materials companies by 30 September 2014.</li> <li>• QQB was unable to dispose of the companies by the specified deadline, in part because slow processes of provincial government agencies associated with registering the assets of the companies for sale.</li> <li>• In November 2014, the government requested an extension of the deadline to 28 February 2015. ADB acceded to the request and in December 2014 an amendment to the Project 2 loan agreement was signed to reflect the extension.</li> <li>• QQB sold all of the companies by the 28 February 2015 deadline.</li> </ul>
<p>iii. Uzbekistan will cause QQB to establish QQI as an independent legal entity by 1 January 2014.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> <li>• In May 2013, following completion of all legal requirements, QQI was formally registered at Yakkasaroy District Hokimiyat, Tashkent, as a legally separate limited liability company.</li> </ul>
<p>iv. Uzbekistan will set the terms for subloans under the RHS housing finance as follows:</p>	
<p>a. For Tranche 1: a 15 year term with a 6 month grace period, whereby the interest rate is set at 7% for the entire term.</p> <p><i>As amended:</i> For 2012 subloans: a 15 year term with a 12 month grace period, whereby the interest rate is set at 7% for the entire term. Each subloan will comprise 35% of its amount from the PCB's funds and 65% of its amount from the proceeds of the loan relent by Uzbekistan to the PCB.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>b. For Tranche 2: a 15 year term with a 6 month grace period, whereby the interest rate is set at 7% for the first 10 years, and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years.</p> <p><i>As amended:</i> For 2013 subloans: a 15 year term with a 12 month grace period, whereby the interest rate is set at 7% for the first 10 years, and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years. Each subloan will comprise 70% of its amount from the PCB's funds and 30% of its amount from the proceeds of the loan relent by Uzbekistan to the PCB.</p>	

Framework Financing Agreement (FFA) Schedule 6 Undertaking	Status as at 1 March 2015
<p>c. For Tranche 3: a 15 year term with a 6 month grace period, whereby the interest rate is set at 7% for the first 5 years, and at 90% of the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years.</p> <p><i>As amended:</i> For 2014 subloans: a 15 year term with a 12 month grace period, whereby the interest rate is set at 7% for the first 5 years, and at 90% of the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years. Except for 2014 subloans under Tranche 2, each subloan will comprise 80% of its amount from the PCB's funds and 20% of its amount from the proceeds of the loan relented by Uzbekistan to the PCB. For Tranche 2, each 2014 subloan will comprise 50% of its amount from the PCB's funds and 50% of its amount from the proceeds of the loan relented by Uzbekistan to the PCB.</p>	
<p>d. For Tranche 4: a 15 year term with a 6 month grace period, whereby the interest rate is set at 7% for the first 5 years, and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years.</p> <p><i>As amended:</i> For 2015 subloans: a 15 year term with a 12 month grace period, whereby the interest rate is set at 7% for the first 5 years, and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years. The financing share of the PCB and ADB for these subloans will be finalized during the processing of Tranche 3, provided that ADB's average financing share for the MFF does not exceed 35% for all subloans financed under the MFF.</p>	
<p>v. For each tranche, Uzbekistan will set the terms for subsidiary loans to PCBs under the RHS with a repayment term of 15 years and a 3 year grace period, an interest rate that corresponds to the interest rate structure of the subloans as defined under sub para (iv) above, and with an operating margin satisfactory to ADB;</p>	<ul style="list-style-type: none"> <li>• Complied with</li> <li>• The terms of the subsidiary loan agreements with QQB (for Tranches 1 and 2) and NBU (for Tranche 2) were confirmed prior to loan effectiveness to be 18 years (including a grace period of 3 years) with an interest rate of 3% per annum (creating an operating margin satisfactory to ADB).</li> </ul>
<p>vi. During Tranche 1, Uzbekistan will undertake an assessment to define appropriate targets to ensure an increasing proportion of lower income households will be reached under the RHS during each subsequent tranche of the Program.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>3. <b>Selection of PCBs.</b> Uzbekistan will select the PCBs that will participate in the Facility in close coordination with ADB. Uzbekistan will enable at least 1 new PCB (in addition to QQB) to participate in the provision of subloans under the same terms and eligibility criteria under this Investment Program by the end of 1 January 2013.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> <li>• For Project 1, QQB was the sole bank to participate in the Facility.</li> <li>• For Project 2, both QQB and National Bank of Uzbekistan (NBU) participated in the Facility.</li> </ul>
<p>4. <b>Safeguards.</b> Uzbekistan and the PCBs will comply with ADB's SPS (2009) and ensure that an ESMS agreed with ADB as</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>

Framework Financing Agreement (FFA) Schedule 6 Undertaking	Status as at 1 March 2015
described in Schedule 5 of this FFA is established and functioning in each PCB.	
<p>5. <b>Gender and Social Dimension.</b> Uzbekistan will ensure that the Gender Action Plan agreed under the Facility described in Attachment 1 of Schedule 5 of this FFA is duly implemented, and that men and women are given equal opportunities to receive subloans extended by PCBs using the proceeds of the financing provided under the Facility.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> <li>• Most of the activities in the Project 1 Gender Action Plan and the Project 2 Gender Action Plan have been implemented.</li> <li>• Men and women have been given equal opportunities to apply for and be approved to receive HIRD housing loans.</li> </ul>
<p>6. <b>Technical and Financial Audits.</b> Uzbekistan will carry out annual technical and financial performance audits, and “value for money” assessments, for the RHS.</p>	<ul style="list-style-type: none"> <li>• Compliance underway</li> <li>• The contract for the audit for 2012, due for completion in 2013, and the contract for the audit for 2013, due for completion in 2014, was signed on 5 December 2014. Completion is expected by the end of April 2015.</li> </ul>
<p>7. <b>Good Governance and Anticorruption.</b> Uzbekistan and the PCBs will: (a) comply with ADB’s Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Investment Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>Uzbekistan and PCBs shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>
<p>8. <b>Anti-Money Laundering and Combating the Financing of Terrorism.</b> Uzbekistan will ensure that each PCB:</p> <p>a) complies with applicable laws and regulations of Uzbekistan on combating money laundering and financing of terrorism and that loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;</p> <p>b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and</p> <p>c) promptly informs Uzbekistan and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs a PCB of its concern that there has been such an alleged violation, the PCB will: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB’s request.</p>	<ul style="list-style-type: none"> <li>• Complied with</li> </ul>

CBU = Central Bank of Uzbekistan, ESMS = environmental and social management system, FFA = Framework Financing Agreement, HIRD = Housing for Integrated Rural Development, PCB = participating commercial bank, QQB = Qishloq Qurilish Bank, QQI = Qishloq Qurilish Invest, RHS = Rural Housing Scheme (now HIRD), SPS = Safeguard Policy Statement.

**L2775-UZB: Housing for Integrated Rural Development Investment Program  
Project 1 Loan Agreement**

ARTICLE III Use of Proceeds of the Loan	Status as at 1 March 2015
<p><b>Section 3.01.</b> (a) The Borrower shall relend a portion of the proceeds of the Loan (\$199,600,000), in Sum equivalent, to QQB under a Subsidiary Loan Agreement, upon terms and conditions satisfactory to ADB.</p>	<p><b>Confirmed</b> The MOF relent the Sum equivalent of \$199.6 million to QQB in accordance with terms and conditions of the Subsidiary Loan Agreement. In total \$178.8 million was relent to QQB for financing of HIRD 2012 sub-loans: \$157.9 million in July 2012, \$1.7 million in December 2012, and \$19.2 million in February 2013. The remaining \$20.8 million was relent to QQB in December 2013 for financing of HIRD 2013 sub-loans.</p>
<p>(b) The Borrower shall cause QQB to apply the proceeds of the Loan described in subsection (a) hereinabove to the financing of expenditures on Part 1 of the Project in accordance with this Loan Agreement and the Project Agreement.</p>	<p><b>Confirmed</b> QQB applied all relent loan proceeds to the financing of HIRD 2012 and HIRD 2013 sub-loans in accordance with the Loan and Project Agreements.</p>
<p><b>Section 3.02.</b> The Borrower shall make the remainder of the proceeds of the Loan (\$400,000) available to MOE upon terms and conditions satisfactory to ADB, and cause MOE to apply such proceeds to the financing of expenditures on Part 2 of the Project in accordance with the provisions of this Loan Agreement.</p>	<p><b>Confirmed</b> Of the remaining \$400,000, 37% was disbursed to the MOE PIU for financing of PIU expenditures in accordance with the provisions of the Loan Agreement. The amount remaining is pending completion of procurement of the TFPR.</p>
<p><b>Section 3.03.</b> (a) The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.</p>	<p><b>Confirmed</b> In close discussion with ADB, the following changes to Schedule 3 Table for Allocation and Withdrawal of Loan Proceeds were approved by ADB: (i) segregation of project management costs; and (ii) a change in the percentage and basis for withdrawal from the loan account from 65% to 30% for the final loan drawdown of \$20.768 million.</p>
<p>(b) Notwithstanding the generality of subsection (a) hereinabove and except as ADB may otherwise agree, the proceeds of the Loan described in Section 3.01(a) of this Loan Agreement shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively for the financing of expenditures under Part 1 of the Project.</p>	<p><b>Confirmed</b> Loan proceeds have been applied only to subloans to eligible subborrowers for qualified subprojects. Use of loan proceeds is closely monitored by mandated oversight agencies.</p>
<p><b>Section 3.04.</b> Except as ADB may otherwise agree, the Borrower shall cause all Goods, Works and Consulting Services to be financed out of the proceeds of the Loan to be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.</p>	<p><b>Confirmed</b> For HIRD works, procurement guidelines and bidding document templates were developed in close coordination with ADB to ensure ADB procurement guidelines are appropriately adhered to. HIRD guidelines and bid document templates were adopted nationwide for national tendering and contract award of HIRD 2012 and HIRD 2013 house construction. For procurement of goods and services by the MOE PIU, ADB procurement</p>

ARTICLE III Use of Proceeds of the Loan	Status as at 1 March 2015
	guidelines are followed.
<b>Section 3.05.</b> Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.	<b>Confirmed</b> All expenditure financed out of loan proceeds are used exclusively for carrying out of the Project. Use of loan proceeds is closely monitored by mandated oversight agencies.
<b>Section 3.06.</b> The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2013 or such other date as may from time to time be agreed between the Borrower and ADB.	In November 2013, ADB approved an extension of Project 1 loan closing date from 31 December 2013 to 30 June 2014. In June 2014, ADB approved a further extension of Project 1 loan closing date from 30 June 2014 to 30 June 2015.
ARTICLE IV Particular Covenants	Status as at 1 March 2015
<b>Section 4.01.</b> (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound banking, financial and business practices.	<b>Confirmed</b> PCB banking operations are closely monitored by mandated oversight agencies to ensure conformity with Uzbek and international banking, financial and business practices.
(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all the obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.	<b>Confirmed</b> See status update on Schedule 5.
<b>Section 4.02.</b> The Borrower shall make available, or cause to be made available, promptly as needed, the funds, facilities, land and services, in addition to the proceeds of the Loan, for the carrying out of the Project.	<b>Confirmed</b> All funds, facilities, land and services necessary for carrying out the Project are made available in accordance with Presidential Decree No. PP-1683, "On Main Measures for Implementation of the Multitranchise Financing Facility for the Housing for Integrated Rural Development Investment Program to be Implemented with Participation of the Asian Development Bank", issued 11 January 2012. A table has been attached, that details the number of housing sites and budget allocations approved annually for HIRD 2011 to 2014.
<b>Section 4.03.</b> In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.	<b>Confirmed</b> On a prior approval basis, all HIRD consultants and contractors are selected based upon predefined technical criteria, in accordance with ADB procurement procedures. All HIRD consultants and contractors are employed upon terms and conditions satisfactory to the government (i.e., in accordance with government regulations) and to ADB.
<b>Section 4.04.</b> The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.	<b>Confirmed</b> The role and responsibilities of each department or agency participating in HIRD is defined by Cabinet of Ministers Order No. 62 issued 6 March 2012. All activities of participating departments and

ARTICLE IV Particular Covenants	Status as at 1 March 2015
	agencies are conducted in accordance with administrative policies and procedures approved by the government and mandated oversight agencies.
<b>Section 4.05.</b> The Borrower shall enable ADB's representatives to inspect any Qualified Subborrower, any Qualified Subproject, the Goods and Works, and any relevant records and documents.	<b>Confirmed</b> ADB staff or representatives are provided access to all relevant records and documents for any qualified subborrower or subproject as requested.
<b>Section 4.06</b> (a) The Borrower shall:	<b>Confirmed</b>
(i) maintain, or cause to be maintained, separate accounts for the Project;	Two first generation imprest accounts have been established and are being maintained by the MOF and the MOE at the CBU. A second generation imprest account has been established and is being maintained by QQB at the Central Bank of Uzbekistan.
(ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB;	The MOE PIU and QQB have each engaged independent auditors in accordance with ADB requirements to annually audit imprest accounts and related financial statements. Selection of auditors has been undertaken in close coordination with ADB to ensure their qualifications, experience, and terms of reference are acceptable to ADB.
(iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account and statement of expenditures), all in the English language; and  (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.	The PIU's audited financial statements for FY 2012 required prior clarification on the audit terms of reference which delayed their submission. FY 2012 audited financial statements for PIU were submitted to ADB on 16 May 2014. The PIU's audited financial statements for FY 2013 were submitted on a timely basis to ADB on 27 May 2014.  QQB's audited entity financial statements for FY 2012 and FY 2013 were submitted on a timely basis. QQB's audited project financial statements for FY 2012 and FY2013 required prior clarification on the audit terms of reference which delayed their submission.
(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.	<b>Confirmed</b> All discussions on accounts or financial statements related to the Project have been enabled with respective auditors as requested.
<b>Section 4.07.</b> In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished to ADB, all such reports and information as ADB shall reasonably request concerning: (a) the Qualified Subborrowers, the Qualified	<b>Confirmed</b> All reports and information concerning qualified subborrowers, subprojects or subloans, or QQB's administration, operations or financial condition have

<b>ARTICLE IV Particular Covenants</b>	<b>Status as at 1 March 2015</b>
Subprojects and the Subloans; and (b) the administrative, operational and financial condition of QQB.	been provided as requested.
<b>Section 4.08.</b> The Borrower shall promptly take all action, including the provision of funds and other resources, which shall be necessary on its part to enable QQB to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.	<b>Confirmed</b> All actions, including provision of funds and other resources, needed to enable QQB to perform its obligations under the Project Agreement have been taken.
<b>Section 4.09.</b> (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.	<b>Noted and Confirmed</b>
(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.	<b>Noted and Confirmed</b>

<b>SCHEDULE 4 Procurement</b>	<b>Status as at 1 March 2015</b>
<u>Procurement</u> 3. (a) The Borrower and QQB shall ensure that procurement of Goods, Works and other items of expenditures for the Qualified Subprojects is carried out with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.	<b>Confirmed</b> Procurement of goods, works and other items of expenditures for Qualified Subprojects are carried out in accordance with ADB procurement procedures to ensure economy and efficiency.
(b) Notwithstanding the generality of subparagraph (a) hereinabove and except as ADB may otherwise agree, Works shall only be procured on the basis of national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used).	<b>Confirmed</b> All HIRD works are within the threshold for national competitive bidding.
(c) The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.	<b>Confirmed</b> The detailed arrangements and threshold values set forth in the Procurement Plan have been followed unless ADB prior approval was obtained for their modification.
(d) The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures and bidding documents are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the FAM. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.	<b>Confirmed</b> HIRD Procurement Guidelines and Tender Documentation (including contract templates) were developed in close coordination with ADB and in accordance with ADB procurement guidelines. ADB prior approval was obtained for HIRD Procurement Guidelines and all HIRD bidding document and contract templates in advance of their nationwide adoption.
<u>Consulting Services</u> 4. Except as ADB may otherwise agree, the Borrower shall apply a quality- and cost-based selection for selecting and engaging Consulting Services.	<b>Confirmed</b> Consultant selection and recruitment has been undertaken in accordance with the selection approaches specified in the Procurement Plan unless ADB prior approval was obtained for their modification.
<u>Industrial or Intellectual Property Rights</u> 5.(a) The Borrower shall cause QQB to ensure that all Goods and Works procured for the Qualified Subprojects (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or	<b>Confirmed</b> Procurement of all goods and works has been undertaken in accordance with ADB procurement procedures and in compliance with the legislative framework of Uzbekistan.

SCHEDULE 4 Procurement	Status as at 1 March 2015
intellectual property right or claim of any third party.	
(b) The Borrower shall cause QQB to ensure that all contracts entered into with respect to the Qualified Subprojects for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) hereinabove.	<p><b>Confirmed</b></p> <p>The contract template used for qualified subprojects is based upon ADB contract templates and was subject to ADB prior approval in advance of their adoption, in order to ensure they contain all appropriate representations, warranties or indemnities from the contractor or supplier with respect to possible violations or infringements of property rights.</p>
6. The Borrower shall cause MOE to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.	<p><b>Confirmed</b></p> <p>The PIU consultancy contract template has been reviewed on a prior basis to ensure it contains appropriate representations, warranties or indemnities from the contractor or supplier with respect to possible violations or infringements of property rights.</p>
<p><u>ADB's Review of Procurement Decisions</u></p> <p>7. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.</p>	<p><b>Confirmed</b></p> <p>ADB prior review is sought for all contracts procured under international competitive bidding procedures for consulting services, i.e., the TFPR and TFPA.</p>
8. The Borrower shall seek ADB's approval before it:	<p><b>Confirmed</b></p> <p>For HIRD goods or works which are subject to national procurement guidelines:</p>
(a) grants any extension of the stipulated time for completion of a contract for Goods or Works;	<ul style="list-style-type: none"> <li>• National procurement procedures are followed for time extensions of contracts, or change orders.</li> </ul>
(b) agrees to any modification or waiver of the conditions of a contract for Goods or Works, including any change order that falls under (c) or (d) below;	<ul style="list-style-type: none"> <li>• No modification or waiver of conditions of contract is accepted.</li> </ul>
(c) issues any change order under a contract for Goods or Works that will in aggregate increase the original contract price (for the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract); or	
(d) issues any change order under a contract for Goods or Works that will affect more than 15% of the original contract price (either through increases or decreases), even if the net effect of such change order will not in aggregate increase the original contract price. For the avoidance of doubt, such aggregate shall take into account any previous or simultaneous change order or orders under such contract.	
9. ADB shall respond to each request for approval under paragraph 8 above within 7 business days (in Manila) of ADB's receipt of such request. Such response will indicate that the request is: (a) approved; (b) declined; (c) pending receipt of additional information or documentation; or (d) pending consideration by ADB's Procurement Committee, in each case as determined by ADB. If ADB fails to respond within 7 business days (in Manila) of ADB's receipt of such request, the request shall be deemed to have been approved by ADB. In the case of (c), the Borrower shall promptly provide the requested information or documentation to ADB and ADB shall respond to the relevant request within 7 business days (in Manila) upon receipt of such requested information or documentation satisfactory to ADB. In the case of (d), ADB shall notify the Borrower of the decision by the Procurement Committee within 7 business days (in Manila) of such decision by the Procurement Committee.	<p><b>Noted and Confirmed</b></p>
10. The Borrower shall, or shall ensure that QQB:	<p><b>Noted</b></p> <p>For the HIRD tendering process, which is implemented in accordance with national competitive bidding procedures, QCI</p>
(a) provides to ADB within 7 days a copy of all time extensions, modifications or waivers to the contracts (including change orders) following ADB's approval in accordance with	

<b>SCHEDULE 4 Procurement</b>	<b>Status as at 1 March 2015</b>
(b) paragraph 8 above and amendment of the contracts; and maintains a record of all change orders under all contracts for Goods or Works which do not require ADB's prior approval under paragraph 8 above and submit such record for ADB's review every 6 months.	maintains on file for ADB inspection at any time, a copy of all time extensions, modifications, or waivers to the contracts (including change orders).

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
<b>Implementation Arrangements</b> 1. The Borrower and QQB shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower, QQB and ADB. In the event of any discrepancy between the FAM and this Loan Agreement and/or the Project Agreement, the provisions of this Loan Agreement and/or the Project Agreement shall prevail.	<b>Confirmed</b> The PIU and QQB are closely following the FAM to ensure implementation in accordance with arrangements set forth in the FAM.
<b>Qualified Subborrowers</b> 2. The Borrower shall cause QQB to ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria: (a) he/she is a citizen, and resident of a rural area, of the Borrower; (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject; and (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage).	<b>Confirmed</b> QQB is closely monitoring to ensure: <ul style="list-style-type: none"> <li>• Each qualified subborrower is a citizen and resident of a rural area.</li> <li>• All subloans are used only to finance qualified subprojects.</li> <li>• Subborrowers meet the middle-income, or low-income threshold defined for HIRD. With multiple approved increases in the national minimum wage annually, the middle to low income threshold was defined at UZB Sum 1.25 million for HIRD 2012, and at UZB Sum 1.50 million for HIRD 2013.</li> </ul> <p>QQB is also closely monitoring to ensure:</p> <ul style="list-style-type: none"> <li>• Each qualified subborrower (or any family member as defined) has not purchased or owns an RHS or HIRD house built in a previous year.</li> <li>• Each qualified subborrower agrees to occupy, and not sell or transfer ownership of, the house for at least five years from the date of handover. If the qualified subborrower wishes to sell or transfer ownership prior to the five years stipulated, the qualified subborrower is required to reimburse to the government all subsidies and concessions provided under the program as required by legislation.</li> </ul>
<b>Qualified Subproject</b> 3. The Borrower shall cause QQB to ensure that each Qualified Subproject meets the following eligibility criteria: (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme; and (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 8 to 12 and 15 of this Schedule.	<b>Confirmed</b> QQB closely monitors eligibility criteria for qualified subprojects to ensure the qualified subproject: (i) is a new rural house constructed under the HIRD program; and (ii) adheres to ADB safeguard requirements. While HIRD is classified as FI category C, and an ESMS is not required, QQB has adopted and is implementing an ESMS to

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
	ensure safeguard requirements of Uzbekistan and ADB are adhered to.
<p><u>Subloan</u></p> <p>4. The Borrower shall cause QQB to ensure that each Subloan:</p> <p>(a) shall charge interest at the rate of 7% per annum and have a term of 15 years, including a grace period of 6 months; and</p> <p>(b) shall not exceed \$50,000 equivalent.</p>	<p><b><u>Confirmed</u></b></p> <ul style="list-style-type: none"> <li>• All HIRD subloans have a term of 15 years, and a grace period of 12 months. A 12 month grace period was adopted subsequent to loan approval to accommodate the extended construction period, wherein the change in grace period was approved by ADB 4Q 2013.)</li> <li>• HIRD 2012 subloans are charged interest at the rate of 7% per annum.</li> <li>• HIRD 2013 subloans are charged interest at the rate of 7% for 10 years, and a rate equal to the CBU rate for the remaining 5 years.</li> <li>• No HIRD 2012 or 2013 subloan exceeds \$50,000 equivalent.</li> </ul>
<p>5. The Borrower shall cause QQB to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QOI activities under the Rural Housing Scheme.) Each such Subloan approved by QQB, for which a loan agreement is entered into between QQB and a Qualified Subborrower, in 2012 shall comprise 35% of its amount from QQB's funds and 65% of the amount from the proceeds of the Loan relent by the Borrower to QQB.</p>	<p><b><u>Confirmed</u></b></p> <ul style="list-style-type: none"> <li>• All qualified subborrowers pay at least 25% of the cost of the qualified subproject.</li> <li>• For HIRD 2012 and 2013, subborrower deposits on average exceed 40% of total subproject cost, whereby the remainder of the cost of each subproject is financed by a subloan.</li> <li>• For HIRD 2012 subloans, each subloan is financed 35% from QQB funds (with support provided from the national budget) and 65% from loan proceeds.</li> <li>• For HIRD 2013 subloans, each subloan is financed 70% from QQB funds (with support provided from the national budget) and 30% from loan proceeds.</li> </ul>
<p>6. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not confirmed, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.</p>	<p><b><u>Confirmed</u></b></p> <ul style="list-style-type: none"> <li>• QQB is closely monitoring all eligibility criteria as defined in the loan/project agreements for all HIRD subloans and subprojects.</li> <li>• For HIRD 2012, of the total 8,510 subloans financed by QQB, QQB determined that 146 did not meet the eligibility criteria for qualified subprojects as stipulated in the loan agreement. Accordingly, those subloans were fully financed by QQB, and ADB financing was not applied.</li> <li>• For HIRD 2013, of the total 10,000 loans, 9,380 were financed by QQB [8,182] and NBU [1,198] (the remaining 620 were financed by Ipoteka). Of the 8,182 financed by QQB, 240 loans did not meet the eligibility criteria for qualified subprojects as stipulated in the loan agreement. Accordingly those subloans were fully financed by QQB</li> </ul>

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
	and ADB financing was not applied.
<u>Financial Covenants</u>	<b><u>Confirmed</u></b>
7. QQB shall remain financially sound throughout the Project implementation period. Specifically, QQB shall:	
(a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;	QQB's capital adequacy ratio is reported at 12.25% for FY 2012, and at 26.00% for FY 2013.
(b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage;	<p>QQB's return on average assets ratio is reported at 0.3% for FY 2012. While this was acceptable by national standards as defined by the CBU, it did not meet the performance requirement specified by the financial covenant.</p> <p>In Q3 2013, an action plan to increase QQB's average assets ratio was submitted by QQB and following ADB review was adopted. With actions taken in accordance with the action plan, QQB's return on average assets ratio for FY 2013 is reported at 0.72%.</p>
(c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) is less than 5% of its total loan portfolio;	QQB's non-performing loans are reported at less than 1% (i.e., 0.4%) of its total loan portfolio for FY2012; and at less than 1% (i.e., 0.2%) of its total loan portfolio for FY 2013.
(d) maintain corporate, financial and governance practices acceptable to ADB; and	QQB's corporate, financial and governance practices were assessed as part of ADB due diligence assessments and are regulated in accordance with national standards by the CBU.
(e) maintain adequate credit and risk management policies, operating systems and procedures.	QQB's credit and risk management policies, operating systems and procedures are assessed as part of ADB due diligence assessments and are regulated in accordance with national standards by the CBU.
<u>Screening, Categorization, and Environmental and Social Assessment and Planning</u>	<b><u>Confirmed</u></b>
8. The Borrower shall, or shall cause QQB to, ensure that before any Qualified Subproject is approved for financing:	
(a) the ESMS is used to screen the Qualified Subproject from the environmental, indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject. The Borrower shall cause QQB to ensure that each Qualified Subproject is not category A or category B in terms of environmental, involuntary resettlement and/or ethnic minority or indigenous people impacts, within the meaning of the SPS;	<p>QQB has adopted an ESMS, and submits an annual ESMS report to ADB. QQB's ESMS system and reports have been subject to ADB review and an independent review commissioned by ADB. Comments and suggestions on QQB's ESMS and ESMS reports received from ADB and independent reviewers have been adopted and incorporated as required.</p> <p>QQB's ESMS is designed to ensure that subprojects that do not pass ESMS screening are not considered eligible for subloans financed by ADB. All HIRD 2012</p>

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
	housing sites and subprojects passed in accordance with QQB's ESMS screening. For HIRD 2013, all but 5 massifs and a total of 240 subprojects passed QQB's ESMS screening. For those 240 subprojects that did not pass QQB's ESMS screening, those subloans were not approved by QQB for ADB financing.
(b) the environmental clearance from the Nature Protection Committee of the Borrower for the rural housing site for the Qualified Subproject has been obtained; and	QQB's ESMS is designed to confirm that an environmental clearance from the Nature Protection Committee has been obtained for all HIRD housing sites, and all HIRD 2012 and HIRD 2013 subprojects.
(c) the rural housing site for the Qualified Subproject has been classified under the local government reserve land for non-agricultural activities since 31 December 2009 and there is no claim from any third party on this rural housing site.	QQB's ESMS is designed to confirm that all HIRD housing sites for all HIRD 2012 and HIRD 2013 subprojects approved for ADB financing, are classified as local government reserve land for non-agricultural activities for at least two years prior to the program year for construction.
<u>Environment</u> 9. The Borrower shall cause QQB to ensure that the preparation, design and construction of each Qualified Subproject complies with all applicable laws and regulations of the Borrower relating to environment, health and safety, the SPS, the ESMS and any corrective or preventative actions in the Safeguards Monitoring Reports.	<u>Confirmed</u> QQB's ESMS is designed to confirm that QQI is overseeing the preparation, design and construction of each qualified subproject such that it complies with all applicable laws and regulations of Uzbekistan and ADB's SPS relating to environment, health and safety. All corrective or preventative actions taken by QQI and/or contractors which they supervise are tracked by QQI and available for inspection by ADB on request.
<u>Land Acquisition and Involuntary Resettlement</u> 10. The Borrower shall cause QQB to ensure that all land used for each Qualified Subproject complies with paragraph 8(c) of this Schedule, all applicable laws and regulations of the Borrower, the SPS, the ESMS and any corrective or preventative actions set forth in the Safeguards Monitoring Reports.	<u>Confirmed</u> QQB's ESMS is designed to confirm that oversight of compliance with paragraph 8(c) of the schedule, and all applicable safeguard laws and regulations of Uzbekistan is undertaken by the State Committee of Architecture and Construction and other mandated technical oversight agencies.
11. The Borrower shall cause QQB to ensure that no physical or economic displacement takes place in connection with any Qualified Subproject.	<u>Confirmed</u> QQB's ESMS is designed to confirm that oversight of compliance to ensure that no physical or economic displacement takes place in connection with any Qualified Subproject, and all applicable safeguard laws and regulations of Uzbekistan are followed, is undertaken by the State Committee of Architecture and Construction and other mandated technical oversight agencies.
<u>Indigenous Peoples</u> 12. The Borrower shall cause QQB to ensure that the preparation, design and construction of each Qualified Subproject does not generate	<u>Confirmed</u> As confirmed by ADB, there are no indigenous safeguard issues as defined

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
any adverse impact to the ethnic minority or indigenous people within the meaning of SPS, and complies with the ESMS and any corrective or preventative actions set forth in the Safeguards Monitoring Reports.	under the ADB SPS to be monitored in Uzbekistan.
<u>Human and Financial Resources to Implement Safeguards Requirements</u> 13. The Borrower shall cause QQB to ensure that necessary financial and human resources are made available to fully implement the ESMS.	<b>Confirmed</b> In close consultation with ADB. QQB has established and appropriately staffed a QQB ESMS unit.
<u>Safeguards Monitoring and Reporting</u> 14. The Borrower shall cause QQB to: (a) submit annual Safeguards Monitoring Reports to ADB; (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and (c) promptly report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS after becoming aware of the breach	<b>Confirmed</b> QQB's ESMS reports for HIRD 2012 and HIRD 2013 were submitted on a timely basis to ADB. QQB's ESMS system and reports have been subject to ADB review and an independent review commissioned by ADB. Comments and suggestions on QQB's ESMS and ESMS reports received from ADB and independent reviewers have been adopted and incorporated as required. QQB ESMS reviews have not revealed any unanticipated environmental and/or social risks and impacts, or potential breach of compliance.
<u>Prohibited List of Investments</u> 15. The Borrower shall cause QQB to ensure that no proceeds of the Loan is used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS and as set forth in the ESMS.	<b>Confirmed</b> Proceeds of the Loan have been only used to finance eligible activities. The use of loan proceeds is subject to close oversight by the EA, IAs, and all mandated technical oversight agencies.
<u>Gender and Development</u> 16. The Borrower shall ensure that: (a) the gender action plan prepared under the Investment Program is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of this plan; and (c) key gender outcome and output targets in this plan are monitored regularly and achieved.	<b>Confirmed</b> The PIU is monitoring and reporting on implementation of the gender action plan (GAP). A status update on the HIRD 2012 GAP was submitted and reviewed for processing of HIRD Tranche 2. Status update on GAP HIRD 2013 was sent to ADB on 30 January 2015.
<u>Labor Standards</u> 17. The Borrower shall cause QQB to include a specific provision in the bidding documents and civil works contracts to ensure that contractors: (a) Confirmed core labor standards, applicable laws and regulations of the Borrower and incorporate workplace occupational safety norms; (b) do not differentiate pay between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate employment discrimination; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local people for project construction purposes provided that the requirements for job and efficiency are adequately met.  The Borrower shall cause QQB to include in the quarterly progress reports for the Project the implementation status of such matters.	<b>Confirmed</b> Specific provision has been included in HIRD bidding documents and civil works contract templates which were developed from ADB templates and reviewed and approved by ADB prior to their adoption for nationwide use.  QQB has included in its ESMS report, a section for status updates on QQB's monitoring of these points.  The outline and timing of QQB's quarterly progress reports is being discussed with ADB and upon agreement included in the FAM.
18. The Borrower shall cause QQB to ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the Project and to	<b>Confirmed</b> Civil works for construction of HIRD rural houses do not exceed 20 houses per bid package. As such, predominantly small

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
members of the local communities surrounding the Project, particularly females.	local contractors are contracted. These contractors employ small work crews made up entirely of workers who reside in the community or in neighboring communities.
<u>Counterpart Support</u> 19. Notwithstanding the generality of Section 4.02 of this Loan Agreement, the Borrower shall allocate in its national budget for 2012 counterpart financing for approximately 10,300 houses under the Rural Housing Scheme, and related infrastructure and social services, in 2012. Such counterpart financing of the Borrower shall be made by the end of 2011. The Borrower shall ensure that QQB makes provision for the financing of Subloans in 2012.	<u>Confirmed</u> Allocations for HIRD counterpart financing were provided as required.
<u>Sector Development</u> 20. The Borrower shall complete a study on the sale of QQI's construction materials businesses/companies (comprising 12 brick companies and 1 door, window and roof factory) and on the introduction of new construction supervision agents (in addition to QQI) for the Rural Housing Scheme.	<u>Confirmed</u> In January 2013, a study of options for the sale of QQI's construction materials businesses/companies was finalized, in accordance with Presidential Decree No. PP-1902, "On the program for construction of individual housing in model projects in rural areas in 2013". In accordance with the amendments to the Loan and Project agreements dated 11 December 2014, the term of sale of the construction materials businesses to independent third parties was extended from 30 September 2014 to 28 February 2015. The sales were completed by such later date.
21. The Borrower shall identify at least 1 new commercial bank (in addition to QQB) for participation in the provision of subloans under similar terms and eligibility criteria in the subsequent projects of the Investment Program. Such identification shall be completed by the end of 2012. ADB shall assist the Borrower on this process of identification, including carrying out of due diligence on prospective commercial banks.	<u>Confirmed</u> Two additional banks – the National Bank of Uzbekistan (NBU) and Ipoteka Bank (IpB), were proposed by the government for participation in HIRD Project 2 on the same concessional terms, in accordance with Presidential Decree No. PP-1902, "On the Program for Construction of Individual Housing on Planned Sites in Rural Areas for 2013", dated 4 January 2013. Following ADB capacity and due diligence assessments, NBU was approved in addition to QQB for ADB financing support under HIRD Project 2. While ADB support is provided to only 2 banks, i.e., QQB and NBU, IpB participates as a third bank in HIRD offering subloans under the same terms and eligibility criteria as the other two banks. For HIRD 2013, a total of 10,000 subloans have been approved and issued. Of the total, and with ADB support, QQB and NBU each have issued 8,182 and 1,198 subloans. IpB has issued the remaining 680 subloans without ADB support.
22. The Borrower shall cause QQB to ensure that the standard contracts to be used under the Rural Housing Scheme (i.e. the QQB mortgage agreements with the individual purchasers, the QQI purchase agreements with the individual purchasers and the QQI contracts with	<u>Confirmed</u> HIRD subborrower mortgage and collateral agreements, and pre-purchase and purchase agreements, have been

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
the contractors) Confirmed the laws and regulations of the Borrower and are satisfactory to ADB.	subject to two independent reviews commissioned by ADB to confirm compliance with commercial and consumer rights legislation and regulations of Uzbekistan, and to review global best practices relevant for Uzbekistan.
<u>Governance and Anticorruption</u> 23. The Borrower and QQB shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	<u>Confirmed</u> Full cooperation and all necessary assistance will be extended for satisfactory completion of any such investigation.
24. The Borrower and QQB shall ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.	<u>Confirmed</u> HIRD bidding document and contract templates developed from ADB templates, incorporate anticorruption provisions as outlined in the templates including those provisions that specify the right of ADB to audit and examine records and accounts of executing and implementing agencies and all contractors, suppliers, consultants, and other service providers related to the Project.
<u>Combating Money Laundering and Financing of Terrorism</u> 25. The Borrower shall ensure that QQB: (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism; (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and (c) promptly informs the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs QQB of its concern that there has been such an alleged violation, QQB shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request. 26. The Borrower shall ensure that QQB Confirmed the requirements of United Nations Security Council Resolutions 1737, 1747, 1803 and 1929 (and any additional related resolution of the United Nations Security Council), which are mandatory requirements for the Borrower, to ensure that QQB does not have any direct or indirect dealing with entities or persons identified in these resolutions.	<u>Confirmed</u> QQB is subject to oversight by the CBU and other mandated oversight agencies to ensure compliance with applicable laws and regulations on combating money laundering and financing of terrorism to ensure loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism.

**L3039-UZB: Housing for Integrated Rural Development Investment Program  
Project 2 Loan Agreement**

ARTICLE III Use of Proceeds of the Loan	Status as at 1 March 2015
<p><b>Section 3.01.</b> (a) The Borrower shall relend a portion of the proceeds of the Loan to the PCBs (\$14,376,000 to NBU and \$77,384,000 to QQB for financing Subloans in 2013 and \$21,360,000 to NBU and \$85,440,000 to QQB for financing Subloans in 2014), in Sum equivalent, under a Subsidiary Loan Agreement with each PCB, upon terms and conditions satisfactory to ADB. If there is any change to the current composition of the PCBs, or if there is a need to reallocate the proceeds of the Loan for more effective Project implementation, the Borrower shall reallocate the Loan proceeds amongst the PCBs in a manner acceptable to ADB.</p>	<p><b>Confirmed</b> The MOF relend the Sum equivalent of the proceeds of the loan to the PCBs, in accordance with the terms and conditions of the Subsidiary Loan Agreement.</p> <p>For HIRD 2013 subloans, the Sum equivalent of \$77.384 million was relent to QQB on 24 October 2013, and the Sum equivalent of \$14.376 million was relent to NBU on 19 November 2013.</p> <p>For HIRD 2014, subloans, the Sum equivalent of \$106.800 million was relent to PCBs: \$85.440 million – for QQB \$21.360 million – for NBU In accordance with the amendments to the Loan agreement dated December 11, 2014 all funds of Tranche 2 in the amount of 162,82 mln USD were used by QQB to finance HIRD Program 2014.</p>
<p>(b) The Borrower shall cause the PCBs to apply the proceeds of the Loan described in subsection (a) hereinabove to the financing of expenditures on Part 1 of the Project in accordance with the provisions of this Loan Agreement and the Project Agreements.</p>	<p><b>Confirmed</b> The PCBs are applying all relent loan proceeds to financing of HIRD 2013 and HIRD 2014 sub-loans, in accordance with the Loan and Project Agreements.</p>
<p><b>Section 3.02.</b> The Borrower shall make the remainder of the proceeds of the Loan (\$1,440,000) available to MOE upon terms and conditions satisfactory to ADB, and cause MOE to apply such proceeds to the financing of expenditures on Part 2 of the Project in accordance with the provisions of this Loan Agreement.</p>	<p><b>Confirmed</b> Of the remainder of the proceeds of the loan, i.e., \$1,440,000, 15% or \$216,051 was disbursed by ADB: - \$144,000 on 13 December 2013; - \$72,051.62 on 22 December 2014</p> <p>The disbursed loan proceeds were used for financing of PIU expenditures under Project 2 Procurement Plan.</p>
<p><b>Section 3.03.</b> (a) The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.</p>	<p><b>Confirmed</b> The proceeds of the Loan have been withdrawn in accordance with the provisions of Schedule 3 to the Loan Agreement.</p>
<p>(b) Notwithstanding the generality of subsection (a) hereinabove and except as ADB may otherwise agree, the proceeds of the Loan described in Section 3.01(a) of this Loan Agreement shall be used only for making Subloans to Qualified Subborrowers for Qualified Subprojects and shall be applied exclusively for the financing of expenditures under Part 1 of the Project.</p>	<p><b>Confirmed</b> Loan proceeds are being applied by PCB's only to subloans to eligible subborrowers for qualified subprojects. Use of loan proceeds is closely monitored by mandated oversight agencies.</p>
<p><b>Section 3.04.</b> Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where</p>	<p><b>Confirmed</b> For HIRD works, procurement guidelines, bidding document templates, and contract templates, were developed in close coordination with ADB to ensure ADB procurement guidelines are appropriately adhered to. HIRD procurement guidelines, and bid document and contract</p>

ARTICLE III Use of Proceeds of the Loan	Status as at 1 March 2015
the terms and conditions of the contract are not satisfactory to ADB.	templates were reviewed by ADB and cleared prior to their adoption nationwide. HIRD procurement guidelines are being followed, and HIRD bid document and contract templates are being used for the annual tender and contract award of all HIRD civil works, For procurement of goods and services, ADB procurement guidelines are being followed by the MOE PIU, with ADB prior review of the advertisement, terms of reference and selection criteria, evaluation, and contract award. MOE PIU contract templates have been reviewed by ADB to ensure all terms and conditions are satisfactory to ADB.
<b>Section 3.05.</b> Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.	<b>Confirmed</b> All expenditure financed out of loan proceeds are used exclusively for carrying out of the Project. Use of loan proceeds is closely monitored by mandated oversight agencies.
<b>Section 3.06.</b> The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 March 2016 or such other date as may from time to time be agreed between the Borrower and ADB.	<b>Noted</b> The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations is 31 March 2016.

ARTICLE IV Particular Covenants	Status as at 1 March 2015
<b>Section 4.01.</b> (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound banking, financial, business, and development practices.	<b>Confirmed</b> PCB banking operations are closely monitored by the CBU and mandated oversight agencies to ensure conformity with Uzbek and international banking, financial and business practices.
(b) In the carrying out of the Project, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreements.	<b>Confirmed</b> See status update on Schedule 5.
<b>Section 4.02.</b> The Borrower shall make available, or cause to be made available, promptly as needed, the funds, facilities, land and services, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.	<b>Confirmed</b> All funds, facilities, land and services necessary for carrying out the Project are made available in accordance with Presidential Decree No. PP-1683, "On Main Measures for Implementation of the Multitranch Financing Facility for the Housing for Integrated Rural Development Investment Program to be Implemented with Participation of the Asian Development Bank", issued 11 January 2012.
<b>Section 4.03.</b> In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to ADB, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.	<b>Confirmed</b> On a prior approval basis, all HIRD consultants (including PIU staff) and contractors are selected based upon predefined technical criteria, in accordance with ADB procurement procedures. All HIRD consultants and contractors are employed upon terms and conditions satisfactory to the government (i.e., in accordance with government regulations) and to ADB.
<b>Section 4.04.</b> The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of	<b>Confirmed</b> The role and responsibilities of each department or agency participating in HIRD is defined by

ARTICLE IV Particular Covenants	Status as at 1 March 2015
the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.	Cabinet of Ministers Order No. 62 issued 6 March 2012. All activities of participating departments and agencies are conducted in accordance with administrative policies and procedures approved by the government or mandated oversight agencies.
<b>Section 4.05.</b> The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	<b>Confirmed</b> ADB staff or representatives are provided full access to all relevant records and documents for any qualified subborrower or subproject as requested.
<b>Section 4.06</b> (a) The Borrower shall:	<b>Confirmed</b>
(i) maintain, or cause to be maintained, separate accounts for the Project;	<ul style="list-style-type: none"> <li>Two first generation imprest accounts have been established and are being maintained by the MOF and the MOE at the CBU. Second generation imprest accounts have been established and are being maintained by PCBs at the CBU.</li> </ul>
(ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB;	<ul style="list-style-type: none"> <li>In close consultation with ADB, the MOE PIU and PCBs are preparing annual financial statements for the Project in accordance with accounting principles acceptable to ADB.</li> </ul>
(iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB;	<ul style="list-style-type: none"> <li>In close consultation with ADB, the MOE PIU and PCBs have engaged independent auditors in accordance with ADB requirements to annually audit: (i) entity financial statements, and (ii) imprest accounts and project financial statements. Selection of auditors has been undertaken in close coordination with ADB to ensure their qualifications, experience, and terms of reference are acceptable to ADB.</li> </ul>
(iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and	<ul style="list-style-type: none"> <li>With ADB review and prior approval of the audit terms of reference, PIU and PCB auditors are required to provide management letters that outline their opinion on audited financial statements, the use of imprest accounts, and the statement of expenditure (as well as deficiencies in the internal control identified in the course of the audit, if any).</li> </ul>
v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	<ul style="list-style-type: none"> <li>On 28 June 2014, ADB agreed that the PIU's FY 2013 audited financial statements for Project 2 (reflecting the period from 23 October–31 December 2013) could be submitted simultaneously with the PIU's FY 2014 audited financial statements. The PIU's FY 2014 audited financial statements are expected to be submitted to ADB in May 2015.</li> <li>QCB audited entity financial statements for FY 2013 were submitted on July 23, 2014. Since the ADB requests to redo the audit of the Project financial statements for FY 2013, the report preparation is underway. Providing of QCB audited entity and project financial statements for FY 2014 is expected to be submitted on May, 2015.</li> <li>NBU audited entity level financial statements for FY 2013 were submitted to ADB on 12 May</li> </ul>

ARTICLE IV Particular Covenants	Status as at 1 March 2015
	2014. Since ADB requests to redo the audit of the Project financial statements for FY 2013, the report preparation is underway. Providing of NBU audited entity and project financial statements for FY 2014 is expected to be submitted in May 2015.
(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	<b><u>Noted</u></b>
c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a) (iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.	<b><u>Confirmed</u></b> All discussions on accounts or financial statements related to the Project have been enabled with respective auditors as requested.
<b>Section 4.07.</b> In addition to the reports and information set forth in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished to ADB, all such reports and information as ADB shall reasonably request concerning:	<b><u>Confirmed</u></b> All reports and information concerning qualified subborrowers, sub projects or subloans, or PCBs' administration, operations or financial condition have been provided on request.
(a) the Qualified Subborrowers, the Qualified Subprojects and the Subloans; and	
(b) the administrative, operational and financial condition of the PCBs.	
<b>Section 4.08.</b> The Borrower shall take all actions, including the provision of funds and other resources, which shall be necessary on its part to enable the PCBs to perform their obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.	<b><u>Confirmed</u></b> All actions, including provision of funds and other resources, needed to enable PCBs to perform their obligations under the Project Agreement have been taken.
<b>Section 4.09.</b> (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.	<b><u>Noted and Confirmed</u></b>
(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.	<b><u>Noted and Confirmed</u></b>

<b>SCHEDULE 4 Procurement</b>	<b>Status as at 1 March 2015</b>
<b><u>Procurement</u></b> 3. (a) The Borrower and the PCBs shall ensure that procurement of Goods, Works and other items of expenditures for the Qualified Subprojects is carried out with due attention to economy and efficiency and in accordance with established private sector or commercial practices, acceptable to ADB.	<b><u>Confirmed</u></b> Procurement of Goods, Works and other items of expenditures for the Qualified Subprojects are carried out in accordance with ADB procurement procedures to ensure economy and efficiency.
(b) Notwithstanding the generality of subparagraph (a) hereinabove and except as ADB may otherwise agree: (i) Works for the Qualified Subprojects shall be procured on the basis of national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used); and (ii) Goods for the Project shall be procured using national competitive bidding (unless the threshold for national competitive bidding is exceeded, in which case international competitive bidding shall be used) and shopping.	<b><u>Confirmed</u></b> All HIRD works procured are within the threshold for national competitive bidding. All HIRD goods procured by the PIU are within the threshold for national competitive bidding and shopping.
(c) The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.	<b><u>Confirmed</u></b> The detailed arrangements and threshold values set forth in the Procurement Plan have been followed unless ADB prior approval was obtained for their modification.
(d) The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures and bidding documents are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the FAM. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.	<b><u>Confirmed</u></b> HIRD Procurement Guidelines and Tender Documentation (including contract templates) were developed in close coordination with ADB and based upon ADB procurement guidelines. ADB prior approval was obtained of HIRD Procurement Guidelines and all HIRD bidding document and contract templates in advance of their nationwide adoption.
<b><u>Consulting Services</u></b> 4. Except as ADB may otherwise agree and as set forth in the Procurement Plan, the Borrower shall apply quality-and cost-based selection for selecting and engaging Consulting Services.	<b><u>Confirmed</u></b> Consultant selection and recruitment has been undertaken in accordance with the selection approaches specified in the Procurement Plan unless ADB prior approval was obtained for their modification.
<b><u>Industrial or Intellectual Property Rights</u></b> 5. (a) The Borrower shall cause the PCBs to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.	<b><u>Confirmed</u></b> Procurement of all goods and works has been undertaken in accordance with ADB procurement procedures and in compliance with the legislative framework of Uzbekistan.
(b) The Borrower shall cause the PCBs to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.	<b><u>Confirmed</u></b> The contract template used for qualified subprojects is based upon ADB contract templates and was subject to ADB prior approval in advance of their adoption, in order to ensure they contain all appropriate representations, warranties or indemnities from the contractor or supplier with respect to possible violations or infringements of property rights.
6. The Borrower shall cause MOE to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.	<b><u>Confirmed</u></b> The PIU consultancy contract template has been reviewed on a prior basis by ADB, to ensure it contains appropriate representations, warranties or indemnities from the contractor or supplier with respect to possible violations or infringements of

SCHEDULE 4 Procurement	Status as at 1 March 2015
<p><u>ADB's Review of Procurement Decisions</u></p> <p>7. In the case of a contract of Goods or Works, which is subject to ADB's prior review, the Borrower shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:</p> <p>(a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Loan Closing Date; and</p> <p>(b) increases in aggregate of the original price by more than 15% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).</p>	<p>property rights.</p> <p><b><u>Confirmed</u></b></p> <p>HIRD works, which follow national procurement guidelines, are subject to ADB post review. While ADB review and prior clearance was obtained for all HIRD contract templates for national procurement of works:</p> <ul style="list-style-type: none"> <li>• National procurement procedures are followed for time extensions of contracts, or change orders.</li> <li>• No modification or waiver of conditions of contract is accepted.</li> </ul> <p>For HIRD goods, ADB's prior approval of any modification or waiver of the terms and conditions of the contract will be sought.</p>
<p>8. ADB shall respond to each request for approval under sub paragraphs 7(a) and (b) hereinabove within 20 ADB business days (in Manila) of ADB's receipt of such request. Such response will indicate that the request is (a) approved; (b) declined; (c) pending receipt of additional information or documentation; or (d) pending consideration by ADB's procurement committee, in each case as determined by ADB.</p>	<p><b><u>Noted</u></b></p>
<p>9. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract notification or waiver and respond to the Borrower as soon as practicable, but not later than 1 month after the receipt of the required document.</p>	<p><b><u>Noted</u></b></p>
<p>10. The Borrower shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.</p>	<p>For the HIRD works, which are tendered in accordance with national competitive bidding procedures, QQI maintains on file for ADB inspection at any time, a copy of all time extensions, modifications, or waivers to the contracts (including change orders).</p>

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
<p>1. The Borrower, the MOE and the PCBs shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the FAM and this Loan Agreement and the Project Agreements, the provisions of this Loan Agreement and the Project Agreements shall prevail.</p>	<p><b>Confirmed</b> The PIU and PCBs are closely following the FAM to ensure implementation in accordance with arrangements set forth in the FAM.</p>
<p>2. The Borrower shall cause QQB to sell the construction material businesses/companies (comprising 12 brick companies and 1 door, window and roof factory, transferred by QQI to QQB) to independent third parties by 30 September 2014.</p>	<p><b>Confirmed</b> On 11 December 2014, amendments were made to the Loan agreement extending the deadline for the sale of the construction companies to 28 February 2015. QQB complied with the revised deadline.</p>
<p>3. The Borrower shall cause the PCBs to ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria:</p> <p>(a) he/she is a citizen, and resident of a rural area, of the Borrower;</p> <p>(b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject and he/she is only entitled to 1 Qualified Subproject for the purposes of this Investment Program;</p> <p>(c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage); and</p> <p>(d) he/she agrees to occupy, and not to sell or transfer ownership of, the house purchased under his/her Qualified Subproject for at least 5 years from the date he/she receives the legal title to the house.</p>	<p><b>Confirmed</b></p> <ul style="list-style-type: none"> <li>• PCBs closely monitor to ensure each qualified subborrower is a citizen and resident of a rural area, and all subloans made finance only qualified subprojects.</li> <li>• PCBs also closely monitor to ensure each qualified subborrower (or any family member as defined) has not purchased or owns an RHS or HIRD house built in a previous year.</li> <li>• With multiple increases in the national minimum wage approved each year, the middle to low income threshold applied for HIRD 2013, was UZB Sum 1.50 million.</li> <li>• Each qualified subborrower is required to agree to occupy, and not sell or transfer ownership of, the house for at least five years from the date of handover. If the qualified subborrower wishes to sell or transfer ownership prior to the five years stipulated, the qualified subborrower is required to reimburse to the government all subsidies and concessions provided under the program as required by legislation.</li> </ul>
<p>4. The Borrower shall cause PCBs to ensure that each Qualified Subproject meets the following eligibility criteria:</p> <p>(a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme; and</p> <p>(b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 8 to 12 and 15 of this Schedule.</p>	<p><b>Confirmed</b> PCBs closely monitor eligibility criteria for qualified subprojects to ensure the qualified subproject:</p> <p>(i) is a new rural house constructed under the HIRD program; and</p> <p>(ii) adheres to ADB safeguard requirements.</p> <p>While HIRD is classified as FI category C, and an ESMS is not required, PCBs have adopted and are implementing an ESMS to ensure safeguard requirements of Uzbekistan and ADB are adhered to.</p>
<p>5. The Borrower shall cause PCBs to ensure that:</p> <p>(a) each Subloan made by a PCB in 2013 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 10 years and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years;</p> <p>(b) each Subloan made by a PCB in 2014 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 5 years and equal to 90% of the</p>	<p><b>Confirmed</b></p> <ul style="list-style-type: none"> <li>• All HIRD 2013 and 2014 subloans have a term of 15 years including a grace period of 12 months.</li> <li>• All HIRD 2013 subloans are charged interest at the rate of 7% for 10 years, and a rate equal to the CBU rate for the remaining 5 years.</li> <li>• All HIRD 2014 subloans are charged interest at the rate of 7% for 5 years, and a rate equal to</li> </ul>

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years; and (c) all Subloans shall not exceed \$50,000 equivalent.	90% of the CBU rate for the remaining 10 years. • No HIRD 2013 or 2014 subloan exceed \$50,000 equivalent.
6. The Borrower shall cause the PCBs to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQI activities under the Rural Housing Scheme.) Each such Subloan approved by a PCB, for which a loan agreement is entered into between the PCB and a Qualified Subborrower, in 2013 shall comprise 70% of its amount from the PCB's funds and 30% of the amount from the proceeds of the Loan relented by the Borrower to the PCB. Each such Subloan approved by a PCB in 2014 shall comprise 50% of its amount from the PCB's funds and 50% of the amount from the proceeds of the Loan relented by the Borrower to the PCB.	<b>Confirmed</b> • All qualified HIRD 2013 and 2014 subborrowers pay at least 25% of the cost of the qualified subproject. • For HIRD 2013 and 2014, subborrower deposits on average equal or exceed 40% of total subproject cost, whereby the remainder of the cost of each subproject is financed by the subloan. • For HIRD 2013, subloan are financed 70% from PCB funds (with support provided from the national budget) and 30% from loan proceeds. • For HIRD 2014, subloan are financed 50% from PCB funds (with support provided from the national budget) and 50% from loan proceeds.
7. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.	<b>Noted</b> • PCBs closely monitoring all eligibility criteria as defined in the loan/project agreements for all HIRD subloans and subprojects. • For HIRD 2013, of the total 10,000 loans, 9,380 were financed by QQB [8,182] and NBU [1,198] (the remaining 620 were financed by Ipoteka). Of those financed by QQB, 240 loans did not meet the eligibility criteria for qualified subprojects as stipulated in the loan agreement. Accordingly those subloans are fully financed by QQB and ADB financing was not applied. • For HIRD 2014, of the total 11,000 loans 10,000 were financed by QQB and NBU (the remaining 1,000 were financed by Ipoteka).
8. The PCBs shall remain financially sound throughout the Project implementation period. Specifically, the PCBs shall: (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;	<b>Confirmed</b> QQB's capital adequacy ratio is reported at 26.00% for FY 2013.  NBU's capital adequacy ratio is reported at 21.53% for FY 2013.  QQB's capital adequacy ratio is reported at 17.51% for FY 2014 (calculations are made by NAS).  NBU's capital adequacy ratio is reported at 24.2% for FY 2014.
(b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage;	QQB's return on average assets ratio is reported at 0.72% for FY2013.  NBU's return on average assets ratio is reported at 1.00% for FY2013.  QQB's return on average assets ratio is reported at 0.83% for FY2014 (calculations are made by NAS).  NBU's return on average assets ratio is reported

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
<p>(c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) is less than 5% of its total loan portfolio;</p>	<p>at 0.55% for FY2014</p> <p>QCB's non-performing loans is reported at less than 1% (i.e., 0.2%) of its total loan portfolio for FY2013.</p> <p>NBU's non-performing loans is reported at less than 1% (i.e., 0.5%) of its total loan portfolio for FY2013.</p> <p>QCB's non-performing loans is reported at less than 0.14% of its total loan portfolio for FY2014 (calculations are made by NAS).</p> <p>NBU's non-performing loans is reported at less than 1% of its total loan portfolio for FY2014.</p>
<p>9. The Borrower shall, or shall cause PCBs to ensure that before any Qualified Subproject is approved for financing:</p> <p>(a) the ESMS is used to screen the Qualified Subproject from the environmental, ethnic minority/indigenous peoples or involuntary resettlement impacts associated with such Qualified Subproject and ensure that all Qualified Subprojects shall not involve any environmental, ethnic minority/indigenous peoples or involuntary resettlement impact which can be categorized as Category A or B within the meaning of the SPS;</p> <p>(b) the environmental clearance from the Nature Protection Committee of the Borrower for the rural housing site for the Qualified Subproject has been obtained; and</p> <p>(c) the rural housing site for the Qualified Subproject has been classified under the local government reserve land for non-agricultural activities since 31 December 2010 for 2013 houses and 31 December 2011 for 2014 houses, and there is no claim from any third party on this rural housing site.</p>	<p><b>Confirmed</b></p> <p>PCBs have adopted an ESMS, and submit an annual ESMS report to ADB. PCBs' ESMS system and reports have been subject to ADB review and an independent review. Comments and suggestions on PCBs' ESMS and ESMS reports received from ADB and independent reviewers have been adopted and incorporated as appropriate.</p> <p>PCBs' ESMS are designed to confirm all subprojects that do not pass ESMS screening, are not considered eligible for subloans financed by ADB.</p> <p>For HIRD 2014, all massifs under cofinancing of ADB passed PCB ESMS screening.</p> <p>PCBs' ESMS are designed to confirm that an environmental clearance from the Nature Protection Committee has been obtained for all HIRD housing sites, and all HIRD subprojects.</p> <p>PCBs' ESMS are designed to confirm all HIRD housing sites for all HIRD subprojects approved for ADB financing, were classified as local government reserve land for non-agricultural activities for at least two years prior to the program year for construction.</p>
<p>10. The Borrower shall cause the PCBs to ensure that the preparation, design and construction of each Qualified Subproject comply with all applicable laws and regulations of the Borrower relating to environment, health and safety and the SPS. Without limiting the generality of the foregoing, no environmental impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.</p>	<p><b>Confirmed</b></p> <p>PCBs' ESMS are designed to confirm that QQI is overseeing the preparation, design and construction of each qualified subproject such that it complies with all applicable laws and regulations of Uzbekistan and ADB's SPS relating to environment, health and safety. All corrective or preventative actions taken by QQI and/or contractors which they supervise are tracked by QQI and available for inspection by ADB on request.</p>
<p>11. The Borrower shall cause the PCBs to ensure that all land used for each Qualified Subproject comply with paragraph 9(c) of this Schedule, all applicable laws and regulations of the Borrower and the SPS. Without limiting the generality of the foregoing, no land acquisition or</p>	<p><b>Confirmed</b></p> <p>PCBs' ESMS are designed to confirm that oversight of compliance with paragraph 9 (c) of the schedule, all applicable laws and regulations</p>

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
resettlement impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.	of Uzbekistan, and the SPS, is undertaken by the State Committee of Architecture and Construction together with other mandated technical oversight agencies.
12. No ethnic minority/indigenous peoples impact under the SPS is permitted for the Qualified Subprojects. In the event that there is any unanticipated impact during implementation of a Qualified Subproject, the Borrower shall cause the PCBs to ensure that they adhere to applicable laws and regulations of the Borrower and the SPS. If there is any discrepancy between the SPS and the Borrower's laws and regulations, the SPS shall prevail.	<b>Confirmed</b> As confirmed by ADB, there are no indigenous safeguard issues as defined under the ADB SPS to be monitored in Uzbekistan.
13. The Borrower shall cause the PCBs to ensure that necessary budgetary and human resources are made available to fully implement the ESMS.	<b>Confirmed</b> In close consultation with ADB, PCBs have established and appropriately staffed PCB ESMS units.
14. The Borrower shall cause the PCBs to do the following: (a) submit annual Safeguards Monitoring Reports to ADB; (b) if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and (c) report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS promptly after becoming aware of the breach.	<b>Confirmed</b> PCBs' ESMS system and reports have been subject to ADB review and an independent review. Comments and suggestions on PCBs' ESMS and ESMS reports received from ADB and independent reviewers have been adopted and incorporated as appropriate. PCBs' ESMS reports for HIRD 2013 were submitted on a timely basis to ADB. QCBs' ESMS reports for HIRD 2014 were submitted to ADB on 27 January 2015. PCB ESMS reviews have not revealed any unanticipated environmental and/or social risks and impacts, or potential breach of compliance.
15. The Borrower shall cause PCBs to ensure that no proceeds of the Loan is used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS and as set forth in the ESMS.	<b>Confirmed</b> Proceeds of the Loan have been only used to finance eligible activities. The use of loan proceeds is subject to close oversight by the EA, IAs, and all mandated technical oversight agencies.
16. The Borrower shall ensure that: (a) the gender action plan prepared under the Investment Program is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of this plan; and (c) key gender outcome and output targets in this plan are monitored regularly and achieved.	<b>Confirmed</b> The PIU is monitoring and reporting on implementation of the gender action plan (GAP). A status update on GAP HIRD 2013 and 2014 was sent to ADB on 30 January 2015.
17. The Borrower shall cause the PCBs to include a specific provision in the bidding documents and civil works contracts to ensure that contractors: (a) comply with core labor standards, applicable laws and regulations of the Borrower and incorporate workplace occupational safety norms; (b) do not differentiate pay between men and women for work of equal value; (c) do not employ child labor in the construction and maintenance activities; (d) eliminate forced or compulsory labor; (e) eliminate employment discrimination; (f) allow for freedom of association; and (g) to the extent possible, maximize employment of local people for project construction purposes provided that the requirements for job and efficiency are adequately met. The Borrower shall cause the PCBs to include in the semiannual progress reports for	<b>Confirmed</b> Specific provision has been included in HIRD bidding documents and civil works contract templates which were developed from ADB templates and reviewed and approved by ADB prior to their adoption for nationwide use.  PCBs have included in ESMS reports, a section for status updates on QCI's monitoring of these points.  The outline and timing of PCB progress reports

SCHEDULE 5 Execution of Project; Financial Matters	Status as at 1 March 2015
the Project the implementation status of such matters.	(specified as quarterly in Project 1 Loan agreement) is being discussed with ADB and upon agreement included in the FAM.
18. The Borrower shall cause QQB to ensure that appropriate bodies, particularly nongovernment organizations, disseminate information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of civil works contractors engaged under the Project and to members of the local communities surrounding the Project, particularly females.	<b>Confirmed</b> Civil works for construction of HIRD rural houses do not exceed 20 houses per bid package. As such, predominantly small local contractors are contracted. These contractors employ small work crews made up entirely of workers who reside in the community or in neighboring communities.
19. Notwithstanding the generality of Section 4.02 of this Loan Agreement, the Borrower shall allocate in its national budget for 2013 and 2014 counterpart financing for approximately 10,000 houses for 2013, and 10,000 houses for 2014, under the Rural Housing Scheme and related infrastructure and social services. Such counterpart financing of the Borrower shall be made by the end of 2012 and 2013 respectively. The Borrower shall ensure that the PCBs make provision for the financing of Subloans in 2013 and 2014.	<b>Confirmed</b> Allocations for HIRD counterpart financing necessary for carrying out the Project are made available in accordance with Presidential Decree No. PP-1683, <i>"On Main Measures for Implementation of the Multitranchise Financing Facility for the Housing for Integrated Rural Development Investment Program to be Implemented with Participation of the Asian Development Bank"</i> , issued 11 January 2012.
20. The Borrower shall cause the PCBs to ensure that the standard contracts to be used under the Rural Housing Scheme (i.e. the mortgage agreements with the individual purchasers, the collateral agreements with the individual purchasers, the QQI pre-purchase agreements with the individual purchasers and the QQI contracts with the contractors) comply with the laws and regulations of the Borrower and are satisfactory to ADB.	<b>Confirmed</b> HIRD subborrower mortgage and collateral agreements, and pre-purchase and purchase agreements, have been subject to two independent reviews commissioned by ADB to confirm compliance with commercial and consumer rights legislation and regulations of Uzbekistan, and to review global best practices relevant for Uzbekistan.
21. The Borrower and PCBs shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	<b>Confirmed</b> Full cooperation and all necessary assistance will be extended for satisfactory completion of any such investigation.
22. The Borrower and PCBs shall ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.	<b>Confirmed</b> HIRD bidding document and contract templates, developed from ADB templates, incorporate anticorruption provisions outlined in the templates including those provisions that specify the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.
25. The Borrower shall ensure that PCBs: (a) complies with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism; (b) formulates and implements internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and (c) promptly informs the Borrower and ADB if there is any violation or	<b>Confirmed</b> PCBs are subject to oversight by the CBU and other mandated agencies to ensure compliance with applicable laws and regulations on combating money laundering and financing of terrorism to ensure loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism.

<b>SCHEDULE 5 Execution of Project; Financial Matters</b>	<b>Status as at 1 March 2015</b>
<p>potential violation of subparagraph (a) hereinabove. In the event that ADB informs PCBs of its concern that there has been such an alleged violation, PCB shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.</p>	
<p>(d) provide an update in their periodic reports to ADB on any change in their management or shareholders.</p>	
<p>26. The Borrower shall ensure that PCBs comply with the requirements of United Nations Security Council Resolutions 1737, 1747, 1803 and 1929 (and any additional related resolution of the United Nations Security Council), which are mandatory requirements for the Borrower, to ensure that QQB does not have any direct or indirect dealing with entities or persons identified in these resolutions.</p>	



# Facility Administration Manual

Project Number: 44318-026  
MFF Number 0061-UZB  
Loan Numbers: L2775/L3039/LXXXX  
August 2015

## Republic of Uzbekistan: Housing for Integrated Rural Development Investment Program

Asian Development Bank

**Important Note:** This Facility Administration Manual is an active document. It will be updated and revised progressively as and when necessary during each review mission and following any changes in program investment costs, scope, or implementation arrangements. The contents herein are intended to assist and facilitate program management and implementation. If there is any conflict with any other legal agreement(s) related to this Investment program, the provisions in the legal agreements will prevail.



## **CONTENTS**

	<b>Page</b>
I. PROGRAM DESCRIPTION	1
II. IMPLEMENTATION PLANS	3
A. Program Readiness Activities	3
B. Program Implementation Plan	6
III. PROGRAM MANAGEMENT ARRANGEMENTS	12
A. Program Implementing Organizations – Roles and Responsibilities	12
B. Key Persons Involved in Implementation	20
C. Program Organization Structure	21
IV. COSTS AND FINANCING	23
A. Detailed Cost Estimates by Expenditure Category	24
B. Allocation and Withdrawal of Loan Proceeds	25
C. Detailed Cost Estimates by Financier, by Components, and by Year	26
D. Contract and Disbursement S-curves	29
E. Fund Flow Diagram	32
V. FINANCIAL MANAGEMENT	34
A. Financial Management Assessment	34
B. Disbursement	35
C. Accounting	41
D. Auditing	42
VI. PROCUREMENT AND CONSULTING SERVICES	47
A. Advance Contracting	47
B. Procurement of Goods, Works, and Consulting Services	47
C. Procurement Plan	48
D. Consultants' Terms of Reference	57
VII. SAFEGUARDS	57
VIII. GENDER AND SOCIAL DIMENSIONS	59
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	67
A. Program Design and Monitoring Frameworks	67
B. Monitoring	76
C. Evaluation	78
D. Reporting	78
E. Stakeholder Communication Strategy	81
X. ANTICORRUPTION POLICY	84
XI. ACCOUNTABILITY MECHANISM	84
XII. RECORD OF FAM CHANGES	84

## LIST OF ATTACHMENTS

1. Loan Withdrawal and Disbursement
  - a. Requirements for Disbursement
  - b. Process Steps for Imprest Fund Procedure
  - c. HIRD WD Form 1: Evidence of Authority to Sign Withdrawal Applications
  - d. HIRD WD Form 2: Withdrawal Application for Advance
  - e. HIRD WD Form 3: Estimate of Expenditures Sheet
  - f. HIRD WD Form 4: Liquidation of Advance
  - g. HIRD WD Form 5: Statement of Expenditures
  - h. HIRD WD Form 6: Pro Forma Bank Statements
  - i. HIRD WD Form 7: Imprest Account Reconciliation Statements (MOF and PCB)
  - j. Sample ADB Disbursement Letter
  - k. Eligible and Ineligible Expenditures
2. Audit Terms of Reference
  - a. HIRD Audit TOR1: Program Implementation Unit (PIU) Operations
  - b. HIRD Audit TOR2: Participating Commercial Bank (PCB) Financial Statements
  - c. HIRD Audit TOR3: PCB Compliance with Project Agreements
  - d. HIRD Audit TOR4: Technical and Financial Performance Review (TFPR)
  - e. HIRD Audit TOR5: Technical and Financial Performance Audit (TFPA)
3. PIU Consultants
  - a. HIRD PIU 1: Consultant Recruitment Evaluation Sheet
  - b. HIRD PIU 2: Consultant Contract Template
4. Environmental and Social Management System (ESMS)
  - a. Participating Commercial Bank ESMS
  - b. PIU/PCB Annual Safeguard Report Template
5. Outline of ADB Review Missions

## ATTACHMENTS ON E-FILE (available upon request)

6. HIRD Process Outlines
  - a. Public Information Campaign
  - b. Site/Land Selection
  - c. Beneficiary Selection
  - d. Contractor Selection
  - e. House Pricing
  - f. Construction Quality Assurance
7. HIRD Beneficiary Forms
  - a. Application Form (including checklist for attached documentation)
  - b. Mortgage Contract Form
  - c. Collateral Agreement Form
  - d. Prepurchase Agreement Form
  - e. Purchase Contract Form
8. HIRD Procurement Guidelines
9. HIRD Procurement Forms
  - a. Standard Bid Documents Template (including checklist for attached documentation)
  - b. Preprogrammed Bill of Quantities Template
  - c. Bidder Form Template (including checklist for attached documentation)
  - d. Technical Bid Evaluation Report Template
  - e. Financial Bid Evaluation Report Template

## **Facility Administration Manual Purpose and Process**

This Facility Administration Manual (FAM) contains program data and information to enable the Government of the Republic of Uzbekistan (GOU), Ministry of Finance (MOF), Ministry of Economy (MOE), participating commercial banks (PCBs), other stakeholders, and the Asian Development Bank (ADB) to implement the Housing for Integrated Rural Development Investment Program (Program) on time, within budget, and in accordance with the policies and procedures of the GOU, MOF, MOE, PCBs, and ADB.

This FAM:

- Specifies the roles and responsibilities of MOF, MOE, PCBs, and ADB for the various actions required for satisfactory program implementation.
- Contains a logical framework, including subsequent revisions that confirm the impact and outcome, outputs, activities, inputs, targets, indicators, key assumptions, and risks.
- Provides a framework and checklist for monitoring progress to allow remedial actions and midstream modifications to meet program objectives.
- Promotes systematic monitoring and evaluation of program activities, and assessment of impacts on program beneficiaries through periodic reporting and reviews, and assists MOE, PCBs, and ADB to anticipate problems and initiate timely remedial actions and recommendations.
- Provides the format and instructions for MOE, PCBs, and ADB to periodically update the program performance report (PPR).
- References ADB's Anticorruption Policy, indicating how ADB may be contacted about allegations of corruption and fraud.

This FAM is based on:

- The framework financing agreement (FFA) and the revised FFA signed between the GOU and the ADB on 29 July 2011 and 10 December 2014, respectively;
- The Periodic Financing Requests (PFRs) submitted by the GOU to ADB:  
Project 1 on 29 July 2011;  
Project 2 on 7 June 2013; and  
Project 3 on 31 March 2015
- The report and recommendation of the President to the Board of Directors (RRP) on the proposed Multitranchise Financing Facility (MFF) to the GOU for the Housing for Integrated Rural Development Investment Program dated 9 August 2011;
- The Periodic Financing Request Reports (PFRRs) approved by the ADB President:  
Project 1 on 9 September 2011;  
Project 2 on 1 October 2013; and  
Project 3 on [dd/mm/yyyy]
- The loan agreements (LAs) signed between GOU and ADB:  
Project 1 on 16 February 2012;  
Project 2 on 11 October 2013; and  
Project 3 on [dd/mm/yyyy]
- The project agreements (PAs) signed between ADB and each of the PCBs:

Project 1 on 16 February 2012 between ADB and QQB;  
Project 2 on 11 October 2013 between ADB and QQB and ADB and National Bank of Uzbekistan for Foreign Economic Activity (NBU); and  
Project 3 on [dd/mm/yyyy] between ADB and QQB and ADB and NBU

- The subsidiary loan agreements (SLAs) signed between MOF and each of the PCBs  
Project 1 on 16 February 2012 between MOF and QQB  
Project 2 on 18 October 2013 between MOF and QQB and MOF and NBU; and  
Project 3 on [dd/mm/yyyy] between MOF and QQB and MOF and NBU
- Relevant ADB handbooks and guidelines.

During the Project 1, Project 2, and Project 3 loan negotiations held between GOU and ADB from 25 to 29 July 2011, from 18 to 20 September 2013, and from 29 to 30 July 2015 respectively, MOE and ADB agreed to the FAM and ensured consistency with the FFA and the loan agreements. This agreement was reflected in the minutes of the loan negotiations. In the event of any discrepancy among the FAM, the FFA, and the Loan Agreements, the provisions of the FFA and the Loan Agreements shall prevail.

After the ADB President's approval of the PFRRs, changes in implementation arrangements are subject to agreement and approval pursuant to relevant GOU and ADB administrative procedures, including the ADB's Project Administration Instructions (PAI), and upon such approval they will be subsequently incorporated in the FAM.

## CURRENCY EQUIVALENTS

(as of 6 August 2015)

Currency Unit	–	sum (SUM)
SUM1.00	=	\$0.00039
\$1.00	=	SUM2,580.79

## ABBREVIATIONS

ADB	–	Asian Development Bank
CBU	–	Central Bank of Uzbekistan
ESMS	–	environmental and social management system
FAM	–	facility administration manual
FFA	–	framework financing agreement
GOU	–	government of Uzbekistan
HIRD	–	Housing for Integrated Rural Development
IDB	–	Islamic Development Bank
MFF	–	multitranchise financing facility
MOE	–	Ministry of Economy
MSE	–	micro or small enterprise
MSME	–	micro, small, or medium enterprise
NBU	–	National Bank of Uzbekistan
PCB	–	participating commercial bank
PFR	–	periodic financing request
PIU	–	program implementation unit
QQB	–	Qishloq Qurilish Bank
QQI	–	Qishloq Qurilish Invest
ROAA	–	return on average assets
SLA	–	statement of expenditure
SOE	–	subsidiary loan agreement
SPS	–	Safeguard Policy Statement
TFPA	–	technical financial performance audit
TFPR	–	technical financial performance review

## GLOSSARY

<i>hokimiyat</i>	–	regional and district local government offices
<i>mahalla</i>	–	citizens group

## NOTES

- (i) The fiscal year (FY) of the government of Uzbekistan ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2015 ends on 31 December 2015.
- (ii) In this report, “\$” refers to US dollars.



## I. PROGRAM DESCRIPTION

1. The Housing for Integrated Rural Development (HIRD) Investment Program (the Program) is a 5-year multisector program to achieve more inclusive growth through improved rural living conditions and livelihood opportunities. The Program, a multitranche financing facility (MFF), comprises a series of financial intermediation loans to help provide housing loans for new modern rural housing to targeted beneficiaries: moderate- to lower-income households, young families, single-headed households, and rural teachers and health workers (two occupations in which women predominate). The MFF through government-financed interventions also supports: (i) improved capacity of local governments (*hokimiyats*) to develop and implement industry promotion strategies and integrated development plans, and (ii) an improved enabling environment for rural micro and small enterprises (MSEs).

2. HIRD is a multisector program with three components. Component 1 is the provision of loans to targeted homebuyers to finance construction of approximately 40,800 new houses. Component 2 is the strengthening of local government capacity to prepare and implement integrated rural development plans and investment promotion strategies. Component 3 is the improvement of the enabling environment for micro and small enterprises (MSEs) to expand or establish new businesses in rural areas.

3. On 31 August 2011, the Asian Development Bank (ADB) approved a \$500 million multitranche financing facility (MFF) for the Housing for Integrated Rural Development (HIRD) Investment Program.<sup>1</sup> ADB financing mainly provides loans to participating commercial banks (PCBs) to make mortgage subloans to moderate- and lower-income rural homebuyers.

4. **Project 1.** The project 1 loan for \$200 million became effective on 20 April 2012. A single PCB—Qishloq Qurilish Bank (QQB)—disbursed \$199.6 million for subloans for the construction and purchase of 10,279 new houses by eligible rural families. Of the remaining \$400,000 (the non-credit component), \$184,682 provided capacity development and PIU support for component 1. Under component 2, training curricula were developed for results-based regional investment planning and 2,664 local government officials received training in integrated rural development planning and investment promotion strategies in 2011 and 2012. Under component 3, the government improved the enabling environment for MSEs by implementing reforms in the banking sector and a program of actions for the development of MSEs. For example, license and permit requirements were relaxed, tax payments were simplified and lowered, and business inspections were reduced. The Project 1 loan closing date was 30 June 2015.

5. **Project 2.** The project 2 loan, also for \$200 million, became effective on 24 October 2013. Disbursements of \$198.82 million have been made: (i) \$198.56 million to finance 9,348 subloans by QQB and a second PCB—National Bank of Uzbekistan (NBU)—for construction and purchase of new houses, and (ii) \$263,236 for capacity development and PIU support for component 1. Improvements were made to the designs of HIRD houses to reduce costs and increase environmental sustainability. For example, two-cycle boilers and solar water heaters were provided as options.

<sup>1</sup> ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Housing for Integrated Rural Development Investment Program*. Manila.

6. Under component 2, more than 2,200 local government officials received training in integrated rural development planning and investment promotion strategies in 2013 and 2014. Under component 3, the government implemented 24 additional reforms. Using its own funds and funds from international financial institutions, including ADB,<sup>2</sup> the government provided credit lines to banks to increase lending to MSEs, particularly rural businesses and businesses owned by women.<sup>3</sup> A pilot program for online business registration was also launched in 2014.<sup>4</sup>

7. Project 3 is estimated to cost \$942.45 million equivalent, excluding taxes, duties, interest, and other in-kind government contributions or concessions (Table 1). The government has requested a loan of \$100 million from ADB's ordinary capital resources for the project. The loan will have an 18-year term, including a grace period of 3 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions as are set forth in the draft loan and project agreements. It will finance the housing loans under Component 1. ADB also has a cofinancing arrangement for a \$100 million loan to the government from the Islamic Development Bank (IDB) to construct 1,100 houses in 2015.

8. The Ministry of Economy (MOE) is the executing agency. PCBs Qishloq Qurilish Bank (QQB) and National Bank of Uzbekistan for Foreign Economic Activities (NBU) are the implementing agencies for Output 1, with responsibility for providing housing finance to targeted HIRD beneficiaries. The MOE is the program implementing agency for Outputs 2 and 3.

9. The Ministry of Finance (MOF) issues and manages subloan agreements to PCBs, budgets adequate funds to all government stakeholders, and disburses local currency to PCBs and the Program Implementation Unit (PIU).

10. Advance contracting for all 3 Projects were approved on 14 June 2011, 25 January 2013, and 16 January 2015, respectively, to enable broad public advertisement of the invitation for bids initiated. HIRD procurement guidelines and standard bid documents, based upon ADB Procurement Guidelines (2010, as amended from time to time) and developed under Project 1, have been used for all 2,989 bid packages in HIRD 2012, HIRD 2013, and HIRD 2014. On behalf of the government, procurement is carried out by the local governments with technical guidance from the government's Tender Consulting Center (TCC). Procurement is based on open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2015. Qishloq Qurilish Invest (QQI), the government's construction company, acts as the employer and construction supervisor on behalf of the local governments as well as the home buyers.

11. The PIU<sup>5</sup> provides full support to the EA in (i) coordinating, planning, implementing, and managing the entire Program, and (ii) monitoring, evaluating, and reporting on implementation and financing of all HIRD components, outputs, results and agreements. The PIU, with staff composition satisfactory to ADB, will provide in-depth technical oversight of the Program and

<sup>2</sup> ADB. 2013. *Report and Recommendation of the President: Proposed Loan and Technical Assistance Grant to the Republic of Uzbekistan for the Business and Entrepreneurship Development Project*. Manila.

<sup>3</sup> ADB. 2015. *Performance Review of HIRD Tranches 1 and 2*. Tashkent. (Unpublished).

<sup>4</sup> ADB is helping to improve the government's Single Interactive State Service Portal ([my.gov.uz](http://my.gov.uz)). ADB. 2012. *Technical Assistance to Uzbekistan for E-Government for Effective Public Management*. Manila (TA 8260-UZB).

<sup>5</sup> During the Loan Reconnaissance Mission held on 9–18 March 2015, the Mission agreed with the executing agency that a new PIU will not be established under tranche 3. Instead, the activities under tranche 3 will be supported by the existing PIU using tranche 2 loan funds.

the 3 Projects. The PIU manager is responsible for overall management of the PIU and oversight of program planning, implementation, monitoring and evaluation, and reporting. The PIU's responsibilities encompass establishing, implementing and maintaining results-based monitoring and evaluation systems, including all necessary databases, preparing and submitting program performance reports on all three outputs, alerting MOE and ADB to any problems or issues in a prompt manner, and incorporating lessons learned into the program. Activities under Project 3 will be supported by the existing PIU using Project 2 loan funds.

## II. IMPLEMENTATION PLANS

### A. Program Readiness Activities

#### 1. Project 1

Indicative Activities	2011		2012		Responsible Parties
	Jun-Sep	Oct-Dec	Jan-Mar	Apr-Jun	
Approval of advance contracting	▲				ADB
Agreement on program implementation arrangements	▲				ADB, PCBs, MOE
Negotiation of Framework Financing Agreement, Periodic Financing Request, and Loan and Project Agreements	▲				ADB, MOE, MOF
Signing of Framework Financing Agreement	▲				ADB, MOE
Agreement on Program's predefined scoring system for prioritizing target beneficiaries	▲				ADB, PCBs, MOE
Complete procurement capacity assessment of the provincial governments and QQI, and finalization of study of HIRD procurement processes, procedures and documentation (with update of FAM to reflect findings)	▲				ADB, PCBs, MOE
ADB clearance of (i) methodology to be applied for identifying and approving 2012 contract packages, (ii) HIRD standardized invitation to bid and bidding documents, and (iii) HIRD home purchase, mortgage, and contractor contracts	▲				ADB, PCBs, MOE
ADB clearance of Project Agreement (PA) between MOF and QQB (sole PCB for Project 1)	▲				MOE, MOF, PCBs
ADB Board approval of Investment Program	▲ (Aug.)				ADB
ADB President's approval of Project 1	▲ (Sep.)				ADB
Signing of Project 1 Loan Agreement			▲ (Feb.)		ADB, MOF
Indicative Activities	2011		2012		Responsible Parties
	Jun-Sep	Oct-Dec	Jan-Mar	Apr-Jun	
Signed PA submitted to ADB			▲ (Feb.)		MOE
Government legal opinion provided				▲ (Apr.)	MOE
Loan effectiveness declared				▲ (Apr.)	ADB
Appointment of MOE PIU manager and staff				▲ (Jun.)	MOE

ADB = Asian Development Bank, FAM = facility administration manual, HIRD = Housing for Integrated Rural Development, MOE = Ministry of Economy, MOF = Ministry of Finance, PA = project agreement, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, QQI = Qishloq Qurilish Invest.

## 2. Project 2

Indicative Activities	Sep 2012 –Jun 2013	May –Jul 2013	Aug–Oct 2013	Responsible Parties
Site selection and safeguards due diligence	▲ (Sep–Jun)			Hokimiyats, PCBs, ADB
Public awareness campaign	▲ (Sep–May)			PIU, PCBs
Competitive selection of contractors	▲ (Dec–May)			Hokimiyats, TCC
Government budget inclusion	▲ (Jan)			MOF, MOE
Approval of advance contracting	▲ (Jan)			ADB
Solicitation of loan applications and submission of copies to PIU	▲ (Jan–Jun)			PCBs
Social assessment of loan applications and forwarding of socially prioritized applications to PCBs	▲ (Feb–Jun)			PIU
Preparation of report to ADB on selection of housing sites, homebuyers, and contractors		▲ (Jun–Jul)		PIU
HIRD data collection, HIRD databases maintenance and uploading of relevant HIRD supporting documentation into Bonfire system;		▲ (deadline)		TCC, QQI
Finalize due diligence on PCBs		▲ (Jul)		ADB
Signing and submission of Periodic Financing Request (PFR) for Project 2		▲		MOE, MOF
Negotiation of Legal and Project Agreements (Loan Negotiations)			▲ (Sep)	ADB, MOE, MOF
ADB President's approval of Project 2			▲ (Oct)	ADB
Government approval of Project 2 (issuance of government resolution)			▲ (Oct)	MOE, MOF
Signing of Project 2 Loan Agreement			▲ (Oct)	ADB, MOF
Signed SLAs submitted to ADB			▲ (Oct)	MOF, PCBs, PIU
Government approval of PCB onlending arrangements (issuance of government resolution)			▲ (Oct)	MOE, MOF
Government legal opinion provided			▲ (Oct)	MOJ
Loan effectiveness declared			▲ (Oct)	ADB

ADB = Asian Development Bank, MOE = Ministry of Economy, MOF = Ministry of Finance, MOJ = Ministry of Justice, SLA = subsidiary loan agreement, PCB = participating commercial bank, PIU = program implementation unit, QQI = Qishloq Qurilish Invest, TCC = Tender Consulting Center.

## 3. Project 3

Indicative Activities	Jan–Mar 2015	Apr–Jun 2015	Jul–Sep 2015	Responsible Parties
Site selection and safeguards due diligence	▲			Hokimiyats, PCBs, ADB
Public awareness campaign	▲			PIU, PCBs
Government budget inclusion	▲			MOF, MOE
Approval of advance contracting	▲			ADB
Signing and submission of Periodic Financing Request (PFR) for Project 3	▲			MOE, MOF
Credit review of socially prioritized applications and approval of subloans	▲	▲		PCBs
Solicitation of loan applications and submission of copies to PIU	▲	▲		PCBs

Social assessment of loan applications and forwarding of socially prioritized applications to PCBs	▲	▲		PIU
Finalize due diligence on PCBs	▲	▲		ADB
Competitive selection of contractors		▲	▲	Hokimiyats, TCC
Uploading of procurement files			▲	TCC, QQI
Negotiation of Legal and Project Agreements (Loan Negotiations)			▲	ADB, MOE, MOF
ADB President's approval of Project 3			▲	ADB
Government approval of Project 3 (issuance of government resolution)			▲	MOE, MOF
Signing of Project 3 Loan Agreement			▲	ADB, MOF
Signed SLAs submitted to ADB			▲	MOF, PCBs, PIU
Government approval of PCB onlending arrangements (issuance of government resolution)			▲	MOE, MOF
Government legal opinion provided			▲	MOJ
Loan effectiveness declared			▲	ADB

ADB = Asian Development Bank, MOE = Ministry of Economy, MOF = Ministry of Finance, MOJ = Ministry of Justice, SLA = subsidiary loan agreement, PCB = participating commercial bank, PIU = program implementation unit, QQI = Qishloq Qurilish Invest, TCC = Tender Consulting Center.

## 1. Program and Project 1

[illegible]

			2012				2013				2014				2015				2016				2017	
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Output 3: Improved enabling environment for entrepreneurs and MSMEs to expand or establish new businesses in rural areas</b>																								
3.1	The Government (PIU) assesses the main constraints to rural MSEs and develops regional strategies and a time-bound action plan for strengthening the rural MSE enabling environment.																							
3.2	The Government (PIU) develops and implements a nationwide pilot of an online business registration process. (Oct. 2013 to Dec. 2014)																							
3.3	The Government (PIU) develops and pilots an online property registration process (to be coordinated with development of a collateral registry and credit information bureau). (Oct. 2013 to Dec. 2014)																							

ADB = Asian Development Bank; DMF = design and monitoring framework; GAP = gender action plan; HIRD = Housing for Integrated Rural Development; MOE = Ministry of Economy; MOF = Ministry of Finance; MSEs = micro and small enterprises; MSMEs = micro, small, and medium enterprises; PCBs = participating commercial banks; PDF = portable document format; PIU = program implementation unit; PPMS = program performance management system; QQB = Qishloq Qurilish Bank; QQI = Qishloq Qurilish Invest; QQL = Qishloq Qurilish Lohiya; SCAC = State Committee on Architecture and Construction; TCC = Tender Consulting Center; TORs = terms of reference.

[illegible]

			2012				2013				2014				2015				2016				2017	
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Output 3: Strengthening the MSE Enabling Environment</b>																								
3.1	The Government (PIU) develops regional strategies and a time-bound action plan for strengthening the rural MSE enabling environment (Q4 2013).																							
3.2	The Government (PIU) establishes and implements a Monitoring and Evaluation system, reporting system and component expenditure indicators (Q4 2013).																							

ADB = Asian Development Bank; DMF = design and monitoring framework; GAP = gender action plan; HIRD = Housing for Integrated Rural Development; MOE = Ministry of Economy; MOF = Ministry of Finance; MSEs = micro and small enterprises; MSMEs = micro, small, and medium enterprises; PCBs = participating commercial banks; PDF = portable document format; PIU = program implementation unit; PPMS = program performance management system; QQB = Qishloq Qurilish Bank; QQI = Qishloq Qurilish Invest; QQL = Qishloq Qurilish Lohiya; SCAC = State Committee on Architecture and Construction; TCC = Tender Consulting Center; TORs = terms of reference.

### 3. Project 3

		2015				2016				2017	
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>A. DMF</b>											
<b>Output 1: Housing Loans provided by PCBs to targeted creditworthy subborrowers in rural areas</b>											
1.1	The Government (State Committee of Architecture and Construction and technical agencies) identifies, selects, and approves land sites for HIRD 2015 by February 2015										
1.2	The Government (national government, local government and service delivery agencies) plans and constructs the relevant infrastructure required for the house at housing sites for HIRD 2015 by April 2016										
1.3	The Government (PCBs), in close coordination with PIU, undertakes a gender sensitive public information campaign for HIRD 2015 from October 2014 to April 2015										
1.4	PCBs solicit housing loan applications, process selected applicants for creditworthiness, eligibility, targeting and selects homebuyers for HIRD 2015 by March 2015										
1.5	Subborrowers pay at least 25% down payment to PCBs and select their home model for HIRD 2015 by March 2015										
1.6	The Government ( <i>hokimiyats</i> with technical guidance of TCC) undertakes open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2015 by July 2015										
1.7	The Government (QQI, QQL and Regional Design Institutes, and SCAC, with close oversight by PIU) undertakes a pre-defined HIRD inspection program that includes an inspection prior to handover, which subborrowers may also confirm, and submits an annual report on findings and recommendations to ADB on HIRD 2015 by February 2016										
1.8	The Government hands over the completed houses to the subborrowers for HIRD 2015 by September 2016 and banks register 100% of homes as mortgage collateral										
1.9	The Government (MOE/PIU) commissions the annual technical-financial performance audits for HIRD 2014 and HIRD 2015 to start in October 2015 (to be completed by December 2015) and October 2016 (to be completed by December 2016) respectively.										
<b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b>											
2.1	The Government (MOE together with respective technical agencies) develops, adopts and delivers gender sensitive annual plan of HIRD local government capacity building training to improve <i>hokimiyat</i> capacity to develop integrated community development plans and investment promotion strategies from September 2015 to December 2016										
2.2	The Government (MOE) supports the trained staff to develop and implement district and regional integrated district community development plans with targeted growth improvements from September 2015 to December 2016										
2.3	Selected regions issue revised and updated integrated rural development planning and investment promotion strategies by December 2016										
<b>Output 3: Improved enabling environment for entrepreneurs and MSEs to establish or expand new business in rural areas</b>											
3.1	The Government (CBU) develops and delivers a time-bound action plan for expanding rural MSME borrowing and investment options, especially for HIRD homebuyers from September 2015 to September 2016										
3.2	The Government (MOE with other key stakeholders) continues to support online business registration system from September 2015 to September 2016.										

CBU = Central bank of Uzbekistan; HIRD = Housing for Integrated Rural Development; MOE = Ministry of Economy; PCBs = participating commercial banks; PIU = program implementation unit; PPMS = program performance management system; TCC = Tender Consulting Center;

#### 4. Rural Housing Scheme: Annual Implementation Plan

Activity	2012				2013				2014				2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
1 Public information campaign	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
2 Selection and approval of land sites	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
3 Due diligence of land sites and review of master plans	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
4 Selection of beneficiaries (homebuyers)	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
5 Selection of contractors	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
6 Signing of contracts between QQI and contractors	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
7 Signing of contracts between QQI and beneficiaries and making of downpayment by beneficiaries	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
8 Site preparation of land sites	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
9 Construction of houses	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
10 Commissioning of houses	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
11 Handover and registration of land tenure (title)	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			
12 Processing of mortgages and collateral agreements	HIRD 2012				HIRD 2013				HIRD 2014				HIRD 2015			

### III. PROGRAM MANAGEMENT ARRANGEMENTS

#### A. Program Implementing Organizations – Roles and Responsibilities

Program Organization	Management Roles and Responsibilities
<b>Ministry of Finance</b>	<ul style="list-style-type: none"> <li>• Responsible for ensuring full budget allocations annually to MOE, PCBs, local governments, and other ministries and technical agencies with mandated responsibilities under HIRD (including activities under related strategies and rural development programs) to ensure that all meet requirements under all components.</li> <li>• Responsible for drafting, executing, and overseeing the subsidiary loan agreements (SLAs) with the PCBs, including monitoring of PCBs' adherence to SLA conditions.</li> <li>• Responsible for executing any SLA amendment agreed upon with a PCB and approved by ADB.</li> <li>• Responsible for timely reporting of any violation by a PCB of any provision of an SLA and agreeing with the PCB on remedial measures, in consultation with ADB.</li> <li>• Responsible for overseeing remedial measure time bound action plans are enforced.</li> <li>• Responsible for establishing and managing the imprest account and providing related documents as required in the imprest account reconciliation statement.</li> <li>• Ensure timely access by PCBs of local currency proceeds of ADB loans.</li> </ul>
<b>Ministry of Economy</b>	<ul style="list-style-type: none"> <li>• Act as Program executing agency and implementing agency for Outputs 2 and 3.</li> <li>• Ensure that an adequately staffed PIU satisfactory to ADB is in place and fully operational for the entire program implementation period.</li> <li>• Prepares and submits Periodic Financing Requests (PFRs) to ADB.</li> <li>• Ensure that remedial measure time bound action plans are implemented</li> <li>• Prepares and submits a program completion report within four months from the completion date of the Facility.</li> <li>• Requests prior approval of all PIU hires and equipment purchases.</li> </ul>
<b>Program Implementation Unit</b>	<ul style="list-style-type: none"> <li>• Provides full support to the EA in overseeing, managing, and monitoring the overall implementation of the Program.</li> <li>• <b>Stakeholder Coordination.</b> Closely coordinates involvement of MOF, MOE, PCBs, local governments, and other ministries and technical agencies with mandated responsibilities under HIRD (including activities under related strategies and rural development programs) to ensure the overall program is effectively implemented in a timely, transparent manner.</li> <li>• <b>Stakeholder Consultations.</b> Holds stakeholder consultations with all relevant HIRD partners (including PCBs, local governments, and other ministries or technical agencies with mandated responsibilities under HIRD) on all critical HIRD processes (including site selection and safeguard due diligence, beneficiary selection, procurement, and construction inspection, among others).</li> </ul>

Program Organization	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• <b>Capacity Development.</b> Manages implementation and delivery of HIRD capacity development activities by: <ul style="list-style-type: none"> <li>i. Developing an action plan for each HIRD component for strengthening the training curricula and undertaking training of the trainers of partner government training agencies and PCBs;</li> <li>ii. Preparing a report on each HIRD training activity and an annual assessment of all HIRD training activities that contains a detailed analysis of the backgrounds of participants, results of ex-post tests of those trained to determine ability to deliver results from training, and lessons learned.</li> </ul> </li> <li>• <b>Adherence to Conditions.</b> Ensures appropriate adoption and implementation of HIRD conditions and agreed-upon policies and processes: <ul style="list-style-type: none"> <li>i. Adoption of land selection processes consistent with PCBs' ESMS, and in accordance with ADB Safeguard Policy Statement (SPS) 2009.</li> <li>ii. Development of an inventory of land for HIRD residential development.</li> <li>iii. Confirmation of access to infrastructure and social services consistent with national/program standards for each HIRD housing site.</li> <li>iv. Adoption of predefined, publicly disclosed HIRD homebuyer selection criteria and a transparent application and point score evaluation system to identify and prioritize HIRD homebuyers.</li> <li>v. Adoption of HIRD contract formats for PCB mortgage and collateral agreements with homebuyers, Qishloq Qurilish Invest (QQI) prepurchase and purchase agreements with homebuyers, and QQI contract agreements with contractors, all in full compliance with Uzbekistan commercial and consumer protection laws and regulations, and all explicitly detailing the rights and responsibilities of each party, the price, the schedule of payments, the coverage and conditions of the one-year home warranty, and the options for legal recourse for both parties.</li> <li>vi. Adoption of prescribed representational composition of HIRD contractor selection and bid evaluation committees.</li> <li>vii. Adoption of HIRD procurement guidelines and standardized procurement documents that are consistent with ADB Procurement Guidelines (2015, as amended from time to time). Standardized documents will include general procurement notices, invitations for bids, bidding documents, evaluation and qualification criteria, technical and financial bid evaluation report templates, construction contracts, construction progress report forms, final inspection and handover forms, and procurement process monitoring and evaluation reporting forms.</li> <li>viii. Review, assess, and report to ADB compliance with FFA, Project 1, Project 2, and Project 3 covenants as part of quarterly performance reports submitted on the program.</li> </ul> </li> <li>• <b>Safeguard Due Diligence.</b> Undertake 100% due diligence assessment of the HIRD sites selected each year.</li> <li>• Prepare an annual HIRD Safeguard Monitoring Report that includes a</li> </ul>

Program Organization	Management Roles and Responsibilities
	<p>summary assessment of the HIRD site selection and due diligence process, and an assessment of QQI's oversight of contractor compliance with safeguard requirements during construction and handover.</p> <ul style="list-style-type: none"> <li>• Prepare a report on HIRD Site Access to Infrastructure and Services (social, community and commercial) that includes an assessment of compliance with master plans and national/program standards.</li> <li>• <b>Public Awareness.</b> Prepare a HIRD public communication strategy and annual implementation plan (that includes the HIRD website); oversee the public communication plan implementation in close coordination with the PCBs; evaluate the impact of social messages and outreach to HIRD target beneficiaries; and prepare an annual results-based performance report on implementation of the strategy and action plan. The HIRD public information strategy will include:             <ol style="list-style-type: none"> <li>i. HIRD site selection and due diligence process;</li> <li>ii. HIRD beneficiary eligibility criteria and application process;</li> <li>iii. HIRD contractor eligibility criteria and competitive tendering process;</li> <li>iv. HIRD payments to contractors, and homebuyer right to be involved in the inspection and payment process;</li> <li>v. HIRD new home warranty and construction quality assurance process;</li> <li>vi. HIRD house designs and cost containment measures; and</li> <li>vii. HIRD website and inquiry/complaint process.</li> </ol> </li> <li>• Implement an annual plan for the expansion of the HIRD website (including links to the government and other related websites), and its operation and maintenance; validate all data and analyze as appropriate, incorporating lessons learned into the program; and prepare an annual results-based performance report on website development, including information on follow-up on complaints and results.</li> <li>• <b>Beneficiary Selection.</b> Oversee processing of social prioritization of applicants for HIRD homes, ensuring appropriate application of HIRD selection criteria and the point-score evaluation system and advice to PCBs.</li> <li>• Undertake a prior-impact assessment to validate homebuyer prioritization and support PCB credit evaluation processes to expand outreach to targeted homebuyers.</li> <li>• Prepare an annual social and gender impact assessment of the HIRD beneficiary selection process each year at the end of the subborrower selection process.</li> <li>• <b>Contractor Selection.</b> Undertake a review (sampling) of the HIRD procurement process each year, and prepare an annual summary report on findings, lessons learned, and corrective actions taken.</li> <li>• <b>Construction Inspection.</b> Oversee construction inspection and handover activities of QQI, QQL and regional design institutes, SCAC, and other mandated technical agencies, and prepare an annual summary report on findings, lessons learned, and corrective actions taken.</li> </ul>

Program Organization	Management Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• <b>Program Databases.</b> Manage HIRD databases<sup>6</sup> and prepare summary tables for regional and weekly monitoring, evaluating, and reporting on all HIRD processes (including site selection, safeguards, beneficiary selection, contractor selection, and construction quality assurance). Evaluate results and provide summaries to MOE and ADB as part of the semiannual progress reports.</li> <li>• <b>Program Studies.</b> Undertake HIRD studies including: (i) enabling the participation in the program of new developers and construction firms; and (ii) determining pragmatic next steps for further enhancement of the MSE enabling environment to better support rural MSEs.</li> <li>• <b>Program Audits.</b> Commission (in close coordination with ADB) and ensure timely completion and submission to ADB PCBs and PIU's annual audited project financial statements and the related audit reports, and management letters, and an independent entity's audited financial statements, audit report and management letter. The financial management and reporting systems must be adequate to generate reliable financial data relevant to each ADB financed operation, including the review and audit thereof.</li> <li>• Commission and ensure timely completion of an <b><i>independent technical and financial performance review</i></b> of houses constructed in 2009, 2010, and 2011 to assess housing construction and value for money; and completion of 3 related studies: (i) identifying and assessing alternative policy options for public support for housing (particularly for lower income households), (ii) evaluating options for improving energy efficiency of HIRD house designs, (iii) identifying improvements for residential construction standards and residential construction quality control processes.</li> <li>• Annually commission (in close coordination with ADB) and ensure timely completion of an <b><i>independent technical and financial performance audit</i></b> to evaluate value for money and construction quality, and the transparency, accountability, and monitoring of HIRD critical processes (land selection, beneficiary selection, establishment of prices for houses, contractor selection, construction quality control).</li> <li>• Ensure timely commissioning, completion and submission of PCB annual audit reports. Quality review all <b><i>PCB audit</i></b> reports, and prepare summary report on issues raised, lessons learned, and follow-up actions to be taken.</li> <li>• <b>Program Monitoring and Reporting.</b> Responsible for managing, supervising, and monitoring the implementation of the Program to ensure its compliance with applicable ADB rules, policies and procedures and governance including safeguards monitoring.</li> <li>• Responsible for the financial management of Project-related activities including establishing a management information system and ensure that the Project is built on schedule in a satisfactory manner to the required standards within budget.</li> </ul>

<sup>6</sup> Databases collected are (i) site selection/safeguards, (ii) beneficiary selection, (iii) contractor selection, and (iv) construction quality assurance.

Program Organization	Management Roles and Responsibilities
Participating Commercial Banks	<ul style="list-style-type: none"> <li>• Ensure that procurement of goods, services, and civil works contracts are in accordance with ADB's procedures and guidelines.</li> <li>• Assist QQI and TCC on tendering, evaluation of the bids, preparation of the bid evaluation report, and contract award to successful bidders in accordance with ADB's guidance and requirements.</li> <li>• Prepare annual safeguard monitoring reports and provide early warning and report any potential safeguard risks with detailed description of the event and proposed corrective actions.</li> <li>• Prepare and submit to ADB semiannual performance reports on program and Project progress.</li> <li>• Assist in all arrangements for workshops, meetings, and field visits; and access to required data, maps and other relevant information.</li> <li>• Establish/update a results-based program performance management system to measure and assess targets set out in the DMF, within one month from the date of loan effectiveness of each Project.</li> <li>• Prepare and submit results-based performance program reports in accordance with the program and Project DMFs and the requirements of the FAM, within one month of the end of the implementation period of each Project.</li> <li>• Review and assess homebuyer complaints, corrective actions provided, degree of satisfaction of homebuyers with corrective action taken and recommend solutions for ADB consideration to ensure similar complaints are avoided.</li> <li>• Prepare and submit to ADB a consolidated project completion report within four months from the completion date of the Facility.</li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Program Monitoring.</b></li> <li>• Act as implementing agencies for Output 1.</li> <li>• Ensure all eligibility requirements for participating in the program are maintained, including implementation of action plans adopted to ensure achievement of eligibility requirements, where they are not met.</li> <li>• Establish and manage subaccounts into which the counterpart funds of the ADB loan proceeds will be deposited by MOF.</li> <li>• Prepare documents required for the PIU to prepare withdrawal applications and liquidation reports in accordance with ADB requirements for submission to ADB.</li> <li>• Implement and manage onlending activities, planning, budgeting, accounting, auditing, and reporting related to delivery of HIRD housing finance.</li> <li>• <b>PCB ESMS.</b> Establish, operate, and maintain environment and social management systems (ESMS), appoint staff to supervise and implement them, train staff on ESMS requirements, and submit annual reports to PIU/ADB on compliance with safeguards requirements.</li> <li>• Ensure that HIRD housing sites are selected in accordance with government procedures and ADB safeguard procedures.</li> <li>• <b>PCB Credit Process.</b> Undertake credit assessments of socially prioritized applications, with outreach by branch staff to increase financial literacy and broaden options for improving creditworthiness of socially prioritized applicants, and ensure on-time mortgage repayment.</li> </ul>

Program Organization	Management Roles and Responsibilities
State Committee for Architecture and Construction	<ul style="list-style-type: none"> <li>• Provide gender sensitized training to staff on customer service and credit analysis, and prepare training report on each that details agenda, participation, issues raised, and improvements in staff understanding and actions.</li> <li>• Adopt HIRD standard contract formats for HIRD mortgage and collateral agreements.</li> <li>• Enter into and execute housing loans (subloans) with creditworthy subborrowers who meet the eligibility and social prioritization criteria for the program.</li> <li>• Develop and maintain a database on HIRD credit applicants that tracks, by branch and credit officer, application quality (including degree of completion and submission of required documentation), outreach, results of outreach to target beneficiaries, down payments, signoff of subborrowers on each phase of construction payments, and mortgage repayment timing and amounts.</li> <li>• <b>PCB Audit.</b> Commission and submit two independent audit reports to ADB within six months after the end of the fiscal year on: (i) audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and audited in accordance with International Standards on Auditing (ISA); and (ii) compliance with ADB loan and project agreements and imprest fund and statement of expenditures procedures.</li> <li>• <b>PCB Reporting.</b> Prepare monthly performance reports for submission to PIU with copy to ADB that provide a summary breakdown by region on performance issues, lessons learned, and corrective actions taken with regard to credit and portfolio management training, outreach to target beneficiaries, IT development, outcome of credit assessment process for HIRD housing loans, payments to contractors, and performance of HIRD housing loan portfolio.</li> <li>• Coordinate and submit inputs to PIU for: (i) semiannual performance reports, (ii) the results-based performance report for each Project; (iii) the executing agency's project completion report for each Project, and (iv) the executing agency's program completion report for the entire Facility.</li> <li>• Prepare a project completion report within four months from the closing date of each Project and submit the report to MOE for onward transmission to ADB.</li> </ul> <ul style="list-style-type: none"> <li>• Certify HIRD new house pricing.</li> <li>• Certify HIRD new house designs.</li> <li>• Certify HIRD housing sites and masterplans including confirmation of access to infrastructure, social, and community and commercial services in accordance with national/program standards.</li> <li>• Certify the progress and quality of construction work prior to each payment to contractors and final payments to HIRD contractors and handover to HIRD homebuyers.</li> <li>• Certify that HIRD houses are built in accordance with Uzbek residential building and construction standards.</li> </ul>

Program Organization	Management Roles and Responsibilities
Tender Consulting Centers	<ul style="list-style-type: none"> <li>• Provide technical support to local governments to oversee the HIRD tender process in accordance with HIRD procurement guidelines as approved by the Cabinet of Ministers, including:               <ul style="list-style-type: none"> <li>(i) quality assuring the issuance of general procurement notices and invitation for bids;</li> <li>(ii) quality assuring the preparation of bid packages;</li> <li>(iii) serving as technical advisor and secretary for regional tender commissions to ensure compliance of processes with HIRD procurement guidelines;</li> <li>(iv) quality assuring finalization of technical and financial bid evaluation reports by regional tender commissions.</li> </ul> </li> <li>• Provide technical support to the PIU including:               <ul style="list-style-type: none"> <li>(i) supporting the PIU in delivering HIRD open forums for contractors and training sessions for tender commissions;</li> <li>(ii) supporting the PIU in undertaking timely review (sampling) of bid evaluation and contract award processes, assessing findings and determining corrective actions, and preparing an annual report on the post review process.</li> </ul> </li> </ul>
Qishloq Qurilish Invest	<ul style="list-style-type: none"> <li>• Acts as agent of both the local government and the homebuyer.</li> <li>• <b>Site Readiness.</b> Confirm site preparation and readiness (including access to infrastructure) of sites for contractors and start of construction.</li> <li>• <b>Construction Performance.</b> Oversee construction by contractors and monitor contractors' contractual compliance.</li> <li>• Oversee timely delivery of construction materials and construction quality of HIRD houses in accordance with contractual requirements.</li> <li>• Certify progress and quality of construction work at each stage of construction.</li> <li>• Develop and maintain database on contractor performance against contract, and on status of corrective action, and prepare monthly reports for submission to PIU with forwarded copy to ADB that provide a summary breakdown by house within region of types of performance issues, timeliness of corrective actions, and results of inspections following completion of corrective actions.</li> <li>• <b>Certification and Handover.</b> Confirm site cleanup and readiness (including access to and quality of infrastructure) for new house handover to homebuyers.</li> <li>• Ensure joint review of construction quality and signoff by HIRD homebuyers prior to release of interim payments and final payments to HIRD contractors.</li> <li>• Certify final completion prior to signoff of handover to HIRD homebuyers.</li> <li>• <b>Homebuyer Recourse.</b> Receive and log complaints from homebuyers regarding construction quality and work with contractors to respond and remedy them and to provide timely responses to homebuyers on steps taken and results.</li> <li>• Develop and maintain database on homebuyer complaints and status of corrective action, and prepare monthly reports for submission to PIU with forwarded copy to ADB that provide a summary breakdown by region of types of complaints received, timeliness of corrective actions, and degree</li> </ul>

Program Organization	Management Roles and Responsibilities
<b>Qishloq Qurilish Lohiya/Regional Design Institutes Local Governments</b>	<p>of satisfaction of homebuyers with corrective action taken.</p> <ul style="list-style-type: none"> <li>• Design master plans for each HIRD housing development site.</li> <li>• Design HIRD house models.</li> <li>• Ensure that HIRD houses are built to design specifications.</li> </ul> <ul style="list-style-type: none"> <li>• With SCAC technical support, select and approve HIRD sites consistent with ADB SPS and related Uzbek laws and regulations.</li> <li>• <b>Site Selection.</b> Coordinate and provide full information to MOE and PCBs for safeguards review and compliance.</li> <li>• <b>Access to Infrastructure and Services.</b> Coordinate and ensure appropriate site preparation, including access to infrastructure and services (roads/streets, utilities, social (schools and healthcare facilities), and community and commercial services.</li> <li>• <b>Procurement.</b> With Tender Contracting Center technical support, select HIRD contractors through national procurement procedures in accordance with ADB <i>Procurement Guidelines</i> (2015, as amended from time to time).</li> <li>• <b>Outreach.</b> Facilitate outreach and information flows to citizens on the program, provide staff and managers for training, and ensure achievements of Component 2 (training participants and development of regional development plans and regional investment plans).</li> </ul>
<b>Asian Development Bank</b>	<ul style="list-style-type: none"> <li>• Ensure consistency of the SLAs with the Loan Agreements and the Framework Financing Agreement, and compliance with all agreements, covenants, and reporting requirements.</li> <li>• Process loan advances, liquidations, and disbursements in a timely manner.</li> <li>• Coordinate with MOF, MOE, PIU, and PCBs on program implementation, monitoring, and reporting.</li> <li>• Provide training and guidance to MOF, MOE, PIU, and PCBs on ADB guidelines and procedures, and respond to their inquiries on a timely basis.</li> <li>• In coordination with MOF and MOE, validate (i) PCBs' compliance with conditions in PAs and SLAs and (ii) achievements of the Program's targets established in the DMF.</li> <li>• Review oversight of compliance with ADB's Safeguard Policy Statement (2009).</li> <li>• Review and assess homebuyer complaints, corrective actions provided, degree of satisfaction of homebuyers with corrective action taken and recommend solutions as necessary to ensure similar complaints are avoided.</li> <li>• Validate progress reports and audit reports. Conduct off-site review of reports and other information provided from time to time by PIU and PCBs; at its option, conduct on-site inspections to confirm such compliance.</li> <li>• Periodically update and revise the FAM as and when necessary during each review mission and following any changes in program investment</li> </ul>

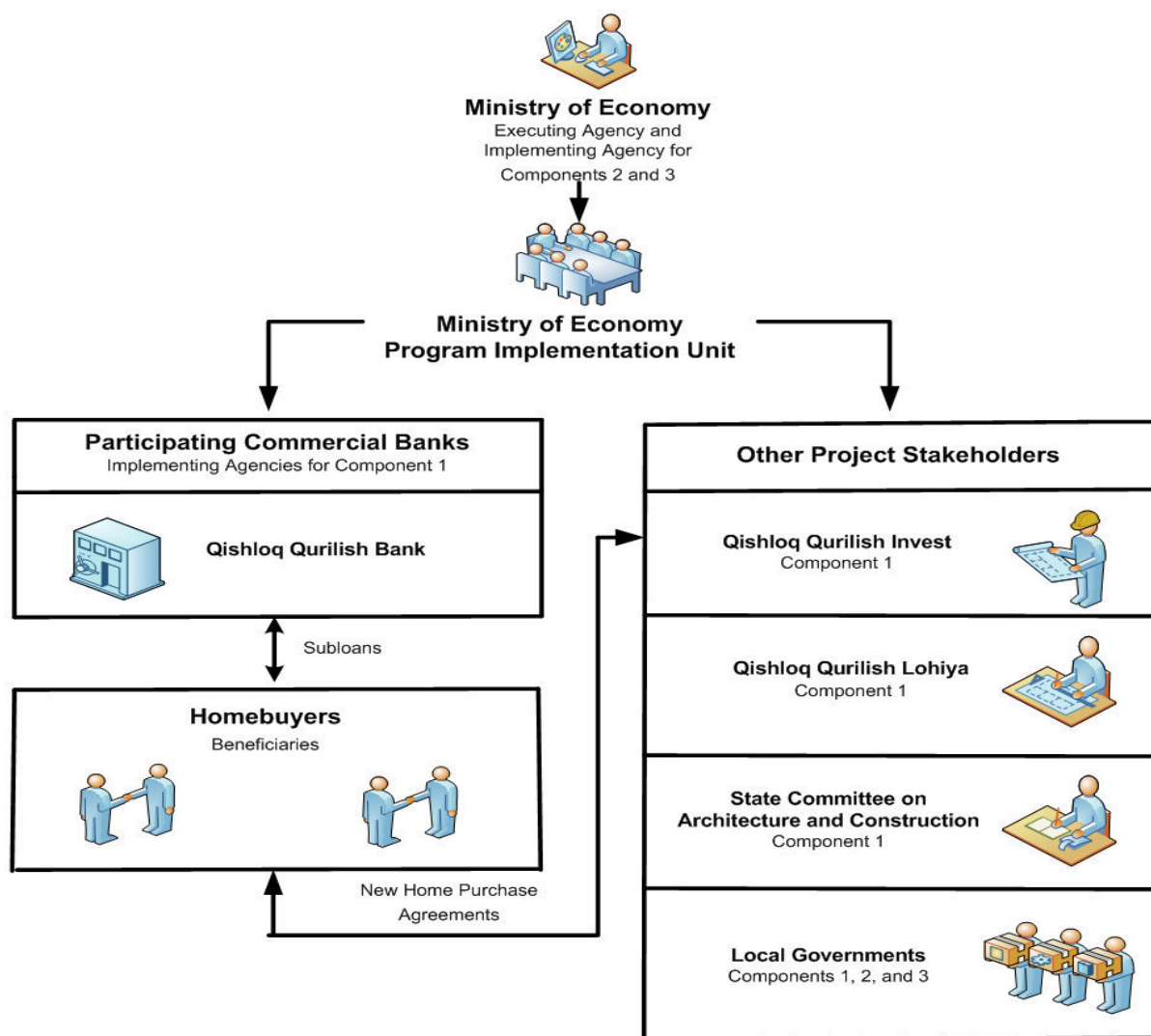
Program Organization	Management Roles and Responsibilities
	costs, scope, or implementation arrangements.
	<ul style="list-style-type: none"> <li>• Process outlines of critical HIRD processes have been developed in close consultation with relevant government agencies. (See Attachments on E-File, Nos. 6 (a) to (f).</li> </ul>
<b>B. Key Persons Involved in Implementation</b>	
<b>Executing Agency</b> Ministry of Economy	Galina Saidova, Minister Telephone: +998 (71) 232 6500 Email address: Gsaidova@mineconomy.uz Office Address: Uzbekistan Avenue, 45A Tashkent, 100060, Republic of Uzbekistan
<b>Implementing Agencies</b> Qishloq Qurilish Bank	Bakhodir Mullakhanov Chairman of the Board Telephone: +998 (71) 233 4225 Email address: chief@qqb.uz Office Address: 18A, Alisher Navoiy Street, Tashkent, 100011, Republic of Uzbekistan
National Bank of Uzbekistan	Saidahmad Rakhimov Chairman of the Board Telephone: +998 (71) 238 5656 Email address: webmaster@central.nbu.com Office Address: 101, Amir Temur Str. Tashkent, 100084, Republic of Uzbekistan
<b>ADB</b> Public Management, Financial Sector, and Trade Division Central and West Asia Department	<p>Betty Wilkinson Director Telephone: +63 (2) 632 6300 Facsimile: +63 (2) 636 2424 Email address: bwilkinson@adb.org Office Address: 6 ADB Avenue Mandaluyong City 1550, Metro Manila, Philippines</p> <p>Matthew Hodge-Kopa Economist (Public Finance) Telephone: +63 (2) 632 6537 Facsimile: +63 (2) 636 2424 Email address: mhodgekopa@adb.org Office Address: 6 ADB Avenue Mandaluyong City 1550, Metro Manila, Philippines</p>
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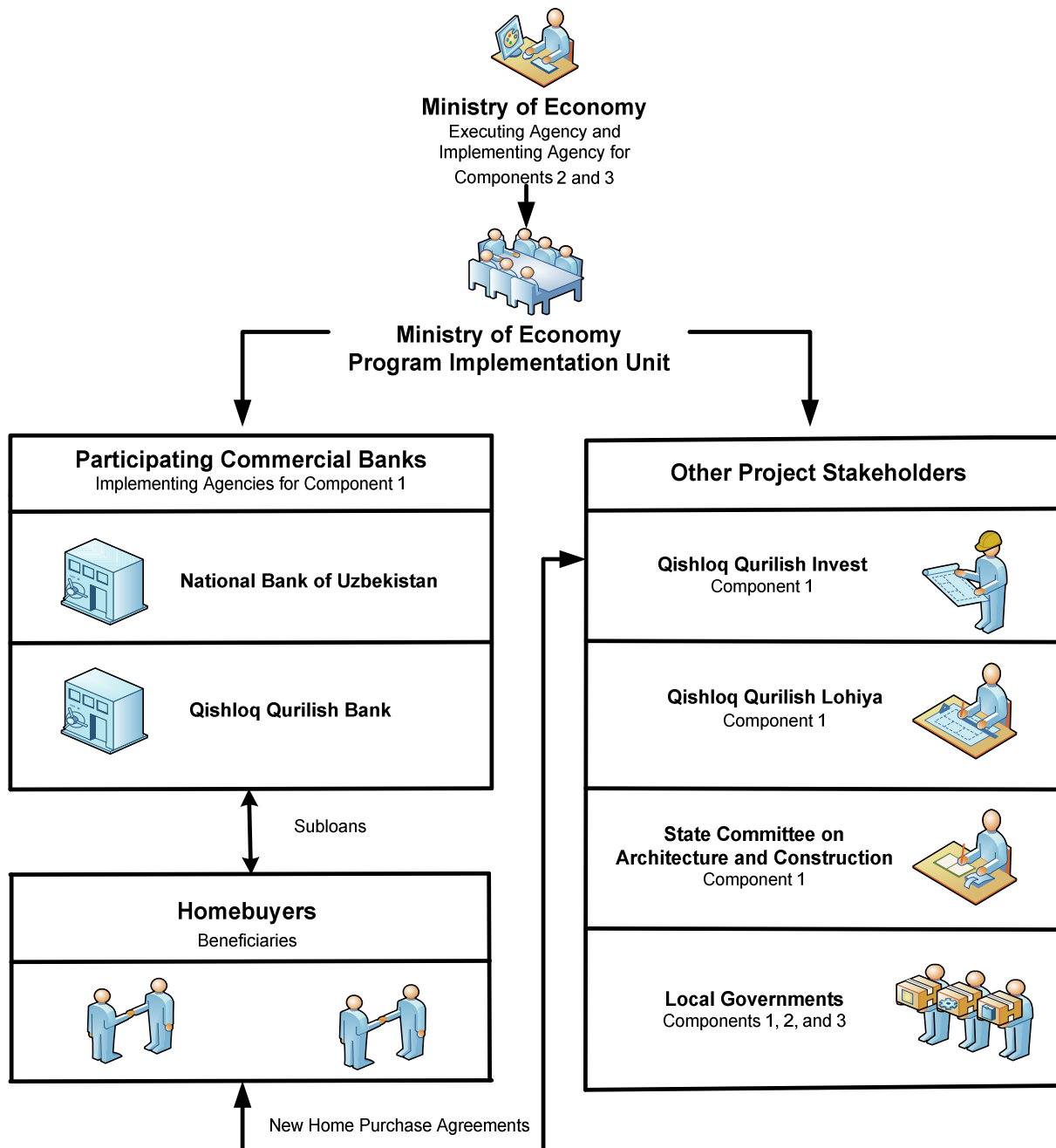
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### C. Program Organization Structure

**Figure 1: Project 1 Organization Structure**



**Figure 2: Project 2 and Project 3 Organization Structure<sup>7</sup>**



<sup>7</sup> The Ministry of Finance is involved in budgeting funds for government counterpart activities, processing withdrawals to provide local currency to PCBs and the PIU, and managing SLAs with PCBs.

#### IV. COSTS AND FINANCING

11. The total cost of the investment program is \$3.05 billion (see Table 1), most of which is being financed by the government. The five-year financing plan targets construction of 45,900 new rural houses and related infrastructure at a total estimated cost of \$3.03 billion.<sup>8</sup> Of this amount, \$1.48 billion is allocated under Component 1 for financing of rural housing loans.

**Table 1: Financing Plan for the Investment Program, 2011–2015**

(\$ million)

Source	ADB	IDB	PCBs <sup>a</sup>	Sub-borrowers	Government <sup>b</sup>	Private Sector <sup>c</sup>	Total	Share of Total (%)
<b>Component 1:</b>								
1. Rural Housing Loans	100.00	93.73	404.99	262.74	-	-	<b>861.46</b>	<b>91.41</b>
2. Infrastructure and Services	-	6.27	-	-	42.20	26.31	<b>74.78</b>	<b>7.93</b>
<b>Component 2:</b>								
1. Capacity Development	-	-	-	-	0.07	-	<b>0.07</b>	<b>0.01</b>
<b>Component 3:</b>								
1. Capacity Development	-	-	-	-	6.14	-	<b>6.14</b>	<b>0.65</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>404.99</b>	<b>262.74</b>	<b>48.41</b>	<b>26.31</b>	<b>942.45</b>	<b>100.00</b>
<b>Share of Total (%)</b>	<b>10.61</b>	<b>10.61</b>	<b>42.97</b>	<b>27.88</b>	<b>5.14</b>	<b>2.79</b>	<b>100.00</b>	

IDB = Islamic Development Bank, PCB = participating commercial bank.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes a concessional credit line from the government to the PCBs of \$346.30 million equivalent at 3% per annum for 15 years with a 5-year grace period.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>c</sup> Community and commercial services (including minibanks, markets, shopping centers, and retail services).

Note: Monthly minimum wage for 2015 is SUM118,400 (\$46).

Sources: Government of Uzbekistan and ADB staff estimates.

12. Additional financing of rural housing loans under Component 1 will be provided by the PCBs and subborrowers (homebuyers) as detailed in Table 2.

**Table 2: Financing Plan**

(\$ million)

Source	ADB	IDB	PCBs <sup>a</sup>	Sub-borrowers	Government <sup>b</sup>	Private Sector <sup>c</sup>	Total	Share of Total (%)
<b>Component 1:</b>								
1. Rural Housing Loans	100.00	93.73	404.99	262.74	-	-	<b>861.46</b>	<b>91.41</b>
2. Infrastructure and Services	-	6.27	-	-	42.20	26.31	<b>74.78</b>	<b>7.93</b>
<b>Component 2:</b>								
1. Capacity Development	-	-	-	-	0.07	-	<b>0.07</b>	<b>0.01</b>
<b>Component 3:</b>								
1. Capacity Development	-	-	-	-	6.14	-	<b>6.14</b>	<b>0.65</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>404.99</b>	<b>262.74</b>	<b>48.41</b>	<b>26.31</b>	<b>942.45</b>	<b>100.00</b>
<b>Share of Total (%)</b>	<b>10.61</b>	<b>10.61</b>	<b>42.97</b>	<b>27.88</b>	<b>5.14</b>	<b>2.79</b>	<b>100.00</b>	

IDB = Islamic Development Bank, PCB = participating commercial bank.

<sup>8</sup> This includes the cost of access to related utilities and social services estimated at \$323 million (to be financed by *hokimiyats* and utility agencies) and community and commercial facilities estimated at \$386 million (to be financed by the private sector). Not included are taxes, duties, and interest, and other in-kind government contributions or incentives under the HIRD (free land to new homeowners, tax concessions for participating lenders, developers, contractors, and construction material companies, and tax credits for mortgage interest for homeowners). The number was amended from 40,800 to 45,900 by agreement approved 5 September 2013.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes a concessional credit line from the government to the PCBs of \$346.30 million equivalent at 3% per annum for 15 years with a 5-year grace period.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>c</sup> Community and commercial services (including minibanks, markets, shopping centers, and retail services).

Note: Monthly minimum wage for 2015 is SUM118,400 (\$46).

Sources: Government of Uzbekistan and ADB staff estimates.

13. Project 1 and Project 2 of \$200 million each were provided as loans each with 18-year term, including a grace period of 3 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the loan and project agreements.

14. Project 3 for \$100 million will be provided with an 18-year term, including a grace period of 3 years, an annual interest rate determined in accordance with ADB's London interbank offered rate-based lending facility, a commitment charge of 0.15% per year on the full amount of the loan (less all drawdown amounts disbursed from time to time) commencing 60 calendar days after the date of the loan agreement, and such other terms and conditions as are set forth in the draft loan and project agreements.

15. The government will assume the foreign exchange risk and relend the local currency equivalent of \$100 million to QQB (64%) and NBU (36%) under subsidiary loan agreements. The subsidiary loans will have an 18-year term, including a grace period of 3 years, an annual interest rate of 3%, and other terms and conditions as set forth in the loan and project agreements. QQB and NBU will onlend to homebuyers in local currency for 15 years, including a grace period of 3 years, at an annual interest rate of 7% in years 1–5 and 100% of the Central Bank of Uzbekistan refinancing rate in years 6–15. ADB will finance 75% of each subloan.<sup>9</sup>

16. Each PCB will provide housing finance to qualified targeted beneficiaries (subborrowers) for the purchase of new rural houses constructed under HIRD. For each subproject financed by a PCB, at least 25% of the cost shall be financed by an equity contribution from the subborrower. The balance of the subproject cost shall be financed by a loan from the PCB to the subborrower (subloan). The maximum subloan size will be the lower of 1,000 times the minimum monthly wage<sup>10</sup> or the Sum equivalent of \$50,000, whichever is lower. ADB's financing share will be 0% for each subloan issued in 2011, 65% for each subloan issued in 2012, 30% in 2013, and 50% in 2014.

## **A. Detailed Cost Estimates by Expenditure Category**

17. Projects 1 and 2 are for \$200 million each and the third and final Project is for \$100 million.

<sup>9</sup> Over the 5-year MFF term, ADB's weighted average financing share is 27%, which is less than the 35% share that was anticipated when the MFF was processed. (footnote 1, para. 17).

<sup>10</sup> Source: In accordance with Presidential Resolution PP-1083, the maximum housing loan size under the RHS is 1,000 times the minimum wage. As of 1 August 2013, the minimum wage is SUM79,590, and therefore the maximum housing loan size for HIRD 2013 loans was SUM79,590,000. As of April 2014, the minimum wage was SUM96,105, and therefore the maximum loan size for HIRD 2014 loans was SUM96,105,000. As of January 2015, the minimum wage is SUM118,400, and therefore the maximum loan size is SUM118,400,000.

**Table 3: Detailed Cost Estimate by Expenditure Category (\$ million)**

	2012	2013	2014	2015	2016	Total
Subloans	159.600	131.760	106.800	100.000	0.00	498.160
Capacity Development (including project management support <sup>a</sup> )	0.039	0.181	0.153	1.149	0.318	1.840
<b>Total</b>	<b>159.639</b>	<b>131.941</b>	<b>106.953</b>	<b>101.149</b>	<b>0.318</b>	<b>500.000</b>

<sup>a</sup> Project management support includes salaries, office furniture and equipment, consultants, office supplies, travel allowances, and other recurrent costs ie, communication and gasoline expenses.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

## B. Allocation and Withdrawal of Loan Proceeds

**Table 4: Allocation and Withdrawal of Loan Proceeds—Project 1<sup>a</sup>**

Number	Financing Category	Amount Allocated (\$)	Basis for Withdrawal from the Loan Account
1	Financing of Subloans	199,600,000	65% of total expenditure claimed
2	Consulting Services (including PIU Professional Staff)	350,000	100% of total expenditure claimed <sup>b</sup>
3	Project Management Costs	50,000	100% of total expenditure claimed <sup>b</sup>
<b>Total</b>		<b>200,000,000</b>	

<sup>a</sup> In accordance with approved request for minor changes and reallocation of loan proceeds dated 12 April 2013.

<sup>b</sup> Exclusive of taxes and duties imposed within the territory of the borrower.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

**Table 5: Allocation and Withdrawal of Loan Proceeds—Project 2**

Number	Financing Category	Amount Allocated (\$)	Basis for Withdrawal from the Loan Account
1A	Financing of Subloans for Construction Year 2013	0	30% of total expenditure claimed
1B	Financing of Subloans for Construction Year 2014	198,560,000	50% of total expenditure claimed <sup>a</sup>
2	Consulting Services (including PIU Professional Staff)	1,282,000	100% of total expenditure claimed <sup>b</sup>
3	Project Management Costs	158,000	100% of total expenditure claimed <sup>b</sup>
<b>Total</b>		<b>200,000,000</b>	

PIU = program implementation unit.

<sup>a</sup> In December 2014, the government and ADB agreed that the \$162.453 million disbursed between October 2013 and May 2014 for the making of 2013 subloans would be reallocated to 2014 subloans, and that the financing percentage for 2014 subloans would be increased from 20% to 50%.

<sup>b</sup> Exclusive of taxes and duties imposed within the territory of the borrower.

Source: Government of Uzbekistan and Asian Development Bank staff estimates.

**Table 6: Allocation and Withdrawal of Loan Proceeds—Project 3**

Number	Financing Category	Amount Allocated (\$)	Basis for Withdrawal from the Loan Account
1	Financing of Subloans	100,000,000	[75%] of total expenditure claimed <sup>a</sup>
<b>Total</b>		<b>100,000,000</b>	

<sup>a</sup> To be confirmed at Loan Negotiations.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

### C. Detailed Cost Estimates by Financier, by Components, and by Year

**Table 7: Detailed Cost Estimates by Financiers and by Components—Project 1**

(\$ million)											
	ADB		PCB (QCB)		Subborrowers		GOU		Private Sector		Total
	\$	%	\$	%	\$	%	\$	%	\$	%	\$
<b>Component 1</b>											
1. Rural Housing Loans	199.60	38.2	135.00	25.8	188.50	36.0	-		-		523.10
2. Infrastructure and Services	-		-		-		86.60	46.8	98.60	53.2	185.20
3. Consulting Services	0.40	36.4	0.70	63.6	-		-		-		1.10
<b>Components 2 and 3</b>											
Capacity Development	-		-		-		5.20	100.0	-		5.20
<b>Total</b>	<b>200.00</b>	<b>28.0</b>	<b>135.70</b>	<b>19.0</b>	<b>188.50</b>	<b>26.4</b>	<b>91.80</b>	<b>12.8</b>	<b>98.60</b>	<b>13.8</b>	<b>714.60</b>

GOU = government of Uzbekistan, PCB = participating commercial bank, QCB = Qishloq Qurilish Bank.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for HIRD PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>b</sup> Community services (community and sports centers) and commercial services (minibanks, markets, shopping centers, retail services, and bus stops).

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

**Table 8: Detailed Cost Estimates by Financiers, by Components, and by Year—Project 2**  
(\$ million)

Category No.		ADB	%	PCBs <sup>a</sup>	%	Sub-borrowers	%	GOU	%	Private Sector <sup>c</sup>	%	Total <sup>d</sup>
1	<b>COMPONENT 1 Construction Year 2013</b>											
	1A Subloans for Houses	91.760	30	213.967	70							305.727
	1B Deposits for Houses					369.667	100					369.667
	1C Basic Utilities and Social Services							50.000	100			50.000
	1D Community and Commercial Services									75.000	100	75.000
2	<b>Construction Year 2014</b>											
	2A Subloans for Houses	106.800	20	249.200	80							356.000
	2B Deposits for Houses					303.000	100					303.000
	2C Basic Utilities and Social Services							50.000	100			50.000
	2D Community and Commercial Services									75.000	100	75.000
3	<b>Capacity Development</b>											
	3A PCB Training Costs			2.500	100							2.500
	3B Consulting Services/PIU Staff	1.282	100									1.282
	3C Project Management Costs	0.158	100									0.158
	<b>COMPONENTS 2 AND 3</b>											
4	4A Capacity Development							10.650	100			10.650
	<b>Total</b>	<b>200.000</b>	<b>13</b>	<b>465.667</b>	<b>29</b>	<b>672.667</b>	<b>42</b>	<b>110.650</b>	<b>7</b>	<b>150.000</b>	<b>9</b>	<b>1,598.984</b>

ADB = Asian Development Bank, GOU = government of Uzbekistan, PCB = participating commercial bank, PIU = program implementation unit.

Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes a \$20.75 million carry forward from Project 1 and an additional concessional credit line of \$198.50 million from the government.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>c</sup> Community services (community and sports centers) and commercial services (minibanks, markets, shopping centers, retail services, and bus stops).

<sup>d</sup> Exclusive of taxes and duties imposed within the territory of the borrower.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

**Table 9: Detailed Cost Estimates by Financiers, by Components, and by Year —Project 3<sup>11</sup>**  
(\$ million)

	ADB		IDB		PCBs <sup>a</sup>		Subborrowers		GOU <sup>b</sup>		Private Sector <sup>c</sup>		Total
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
<b>COMPONENT 1</b>													
<b>Construction Year 2015</b>													
1A1 Subloans for ADB Cofinanced Houses	100.00	75.0	-	-	33.33	25.0	-	-	-	-	-	-	133.33
1A2 Subloans for non-ADB Cofinanced Houses	-	-	93.73	20.1	371.66	79.9	-	-	-	-	-	-	456.39
1B Deposits for Houses	-	-	-	-	-	-	262.74	100.0	-	-	-	-	262.74
1C Basic Utilities and Social Services	-	-	6.27	12.0	-	-	-	-	42.20	87.1	-	-	48.47
1D Community and Commercial Services	-	-	-	-	-	-	-	-	-	-	26.31	100.0	26.31
<b>COMPONENT 2</b>													
2A Capacity Development	-	-	-	-	-	-	-	-	0.07	100.0	-	-	0.07
<b>COMPONENT 3</b>													
3A Capacity Development	-	-	-	-	-	-	-	-	6.14	100.0	-	-	6.14
<b>Total</b>	<b>100.00</b>	<b>10.6</b>	<b>100.00</b>	<b>10.6</b>	<b>404.99</b>	<b>43.0</b>	<b>262.74</b>	<b>27.9</b>	<b>48.41</b>	<b>5.1</b>	<b>26.31</b>	<b>2.8</b>	<b>942.45</b>

ADB = Asian Development Bank, GOU = government of Uzbekistan, IDB = Islamic Development Bank, PCB = participating commercial bank.  
Note: Does not include land, taxes, duties, interest, and other in-kind government contributions or incentives (tax concessions for PCBs, contractors and suppliers, and mortgage tax credits for HIRD homebuyers).

<sup>a</sup> Includes an additional concessional credit line of \$346.30 million from the government.

<sup>b</sup> Basic utilities (electricity, water supply, gas, access roads) and social services (schools and health care facilities).

<sup>c</sup> Community services (community and sports centers) and commercial services (minibanks, markets, shopping centers, retail services, and bus stops).

<sup>d</sup> Exclusive of taxes and duties imposed within the territory of the borrower.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

<sup>11</sup> Funded by mortgage loans totaling \$133 million equivalent (75% financed by ADB) and homebuyer down payments of \$79.2 million equivalent.



**Table 12: Contract Awards—Project 2 (Actual and Projection)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2013			0.000000	0.000000	0.00000
2014	0.000000	0.000000	0.000000	206.745665	206.74567
2015	-6.745665	0.000000	0.000000	0.000000	-6.74567
2016	0.000000				0.00000
<b>Total</b>					<b>200.00000</b>

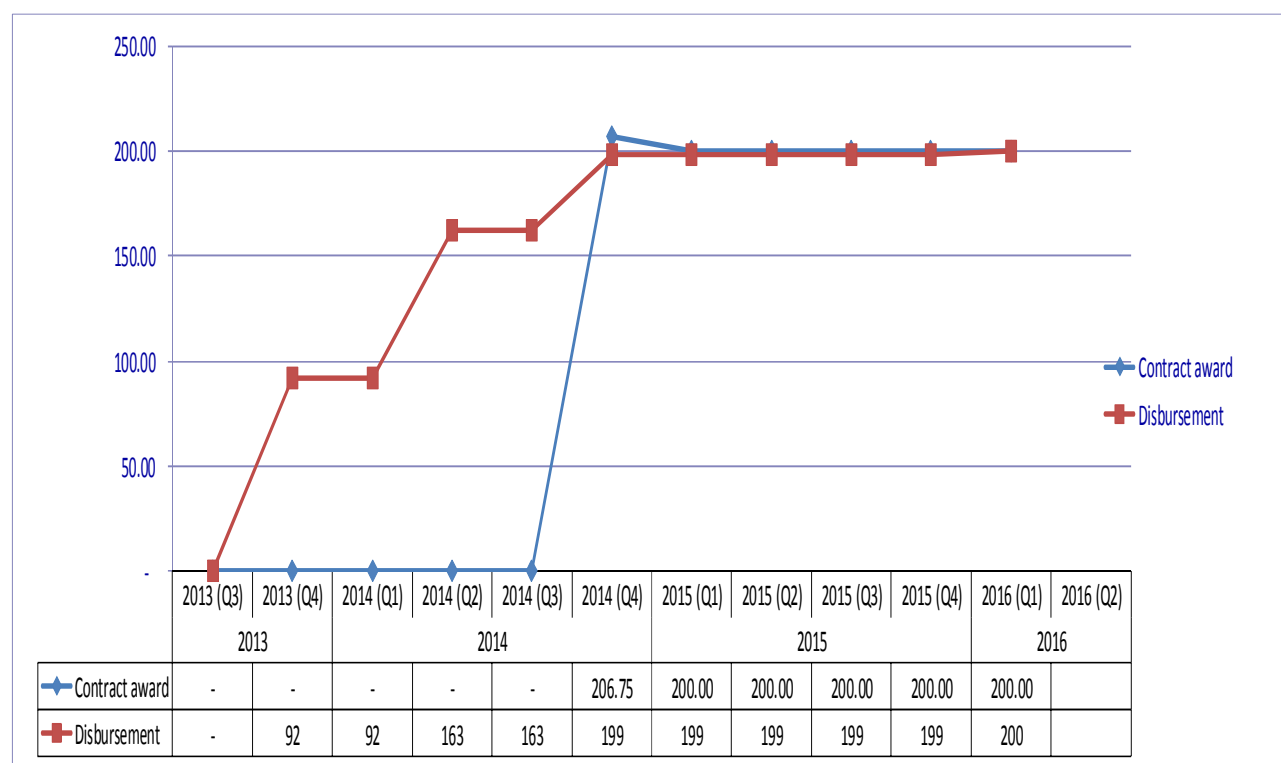
Source: Asian Development Bank.

**Table 13: Disbursements—Project 2 (Actual and Projection)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2013			0.000000	91.904000	91.90400
2014	0.000000	70.693063	0.000000	36.178989	106.87205
2015	0.000000	0.000000	0.000000	0.000000	0.00000
2016	1.223948				1.22395
<b>Total</b>					<b>200.00000</b>

Source: Asian Development Bank.

**Figure 4: Contract Awards and Disbursements S-Curve—Project 2 (Actual and Projection)**  
(\$ million)



Note: The \$6.75 million excess in the contract awarded was due to the excess in the amount reimbursed to National Bank of Uzbekistan in December 2014 but was rectified in January 2015.

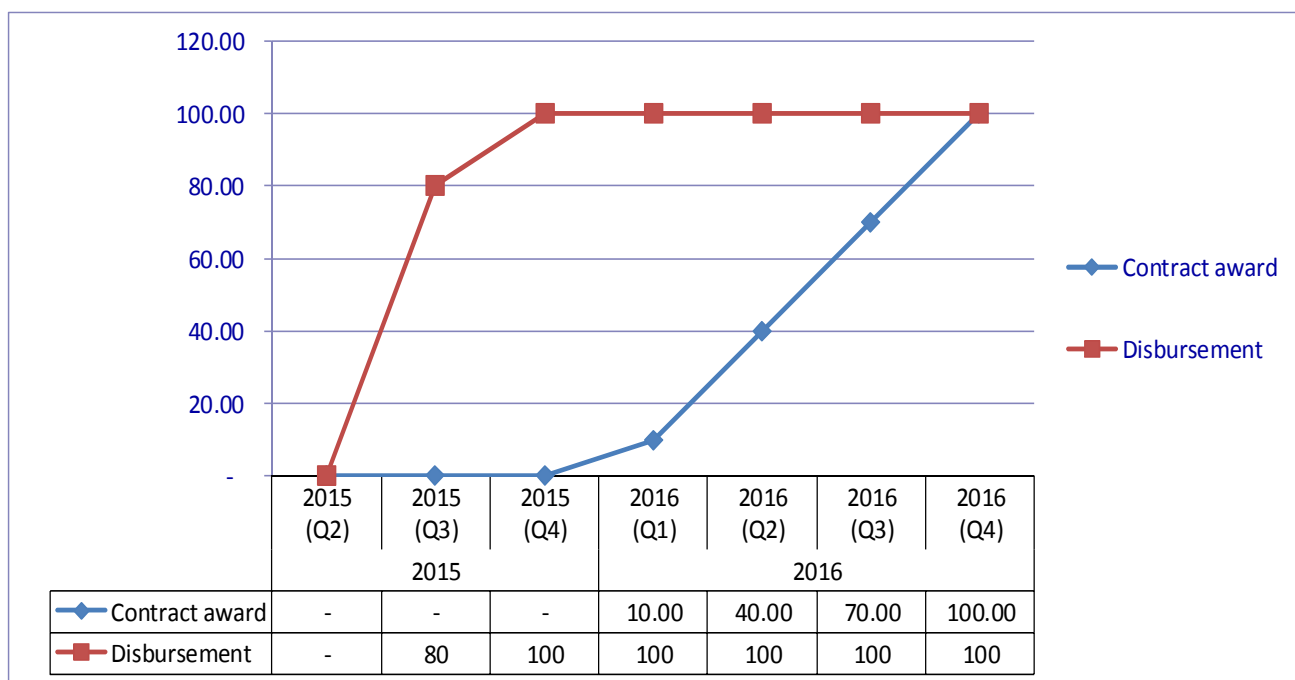
**Table 14: Contract Awards—Project 3 (Projection)**  
(\$ million)

Year	Q1	Q2	Q3	Q4	Total
2015		0.000000	0.000000	0.000000	0.00
2016	10.000000	30.000000	30.000000	30.000000	100.00
<b>Total</b>					<b>100.00</b>

**Table 15: Disbursements—Project 3 (Projection)**  
(\$ million)

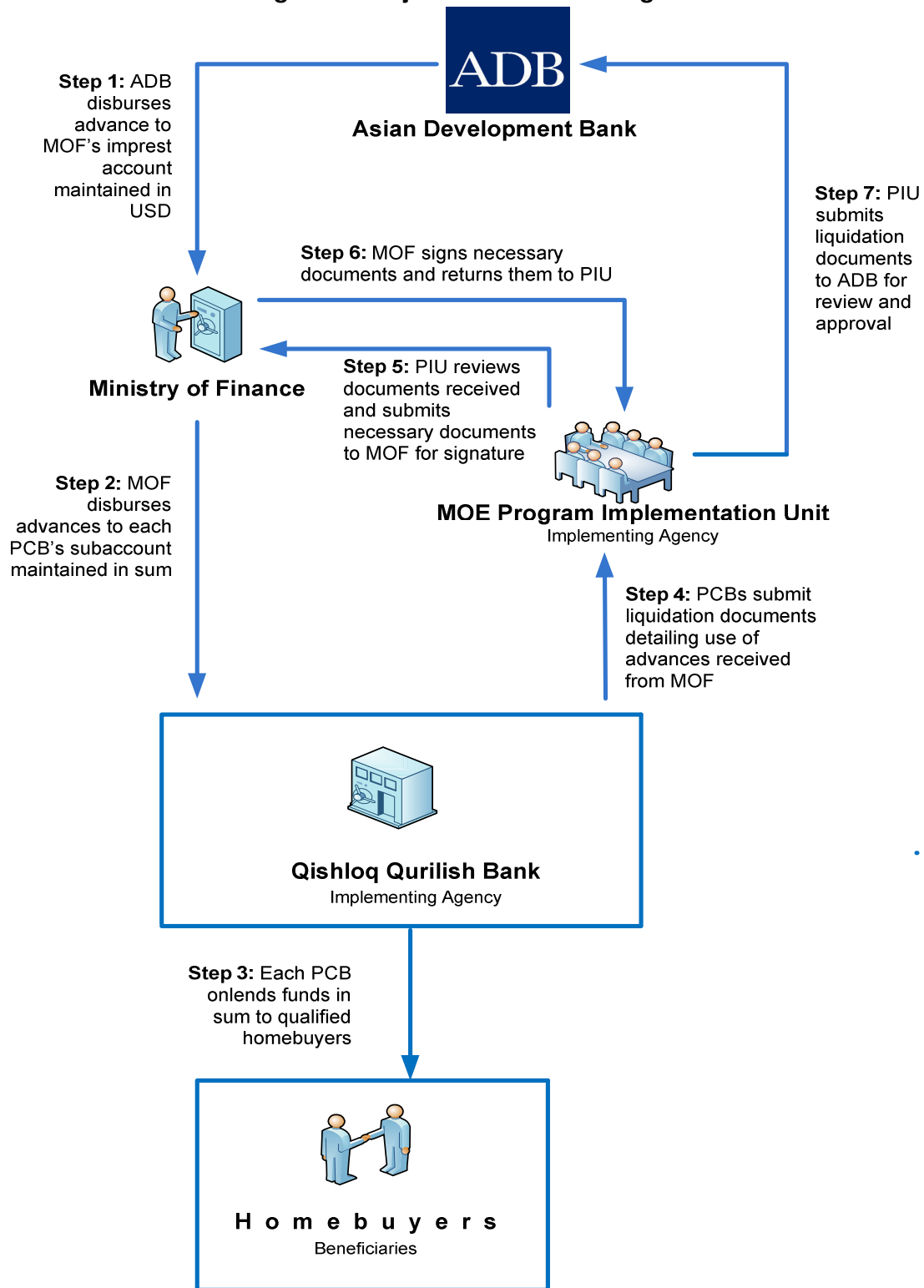
Year	Q1	Q2	Q3	Q4	Total
2015		0.000000	80.000000	20.000000	100.00
2016	0.000000	0.000000	0.000000	0.000000	0.00
<b>Total</b>					<b>100.00</b>

**Figure 5: Contract Awards and Disbursements S-Curve—Project 3 (Projection)**  
(\$ million)

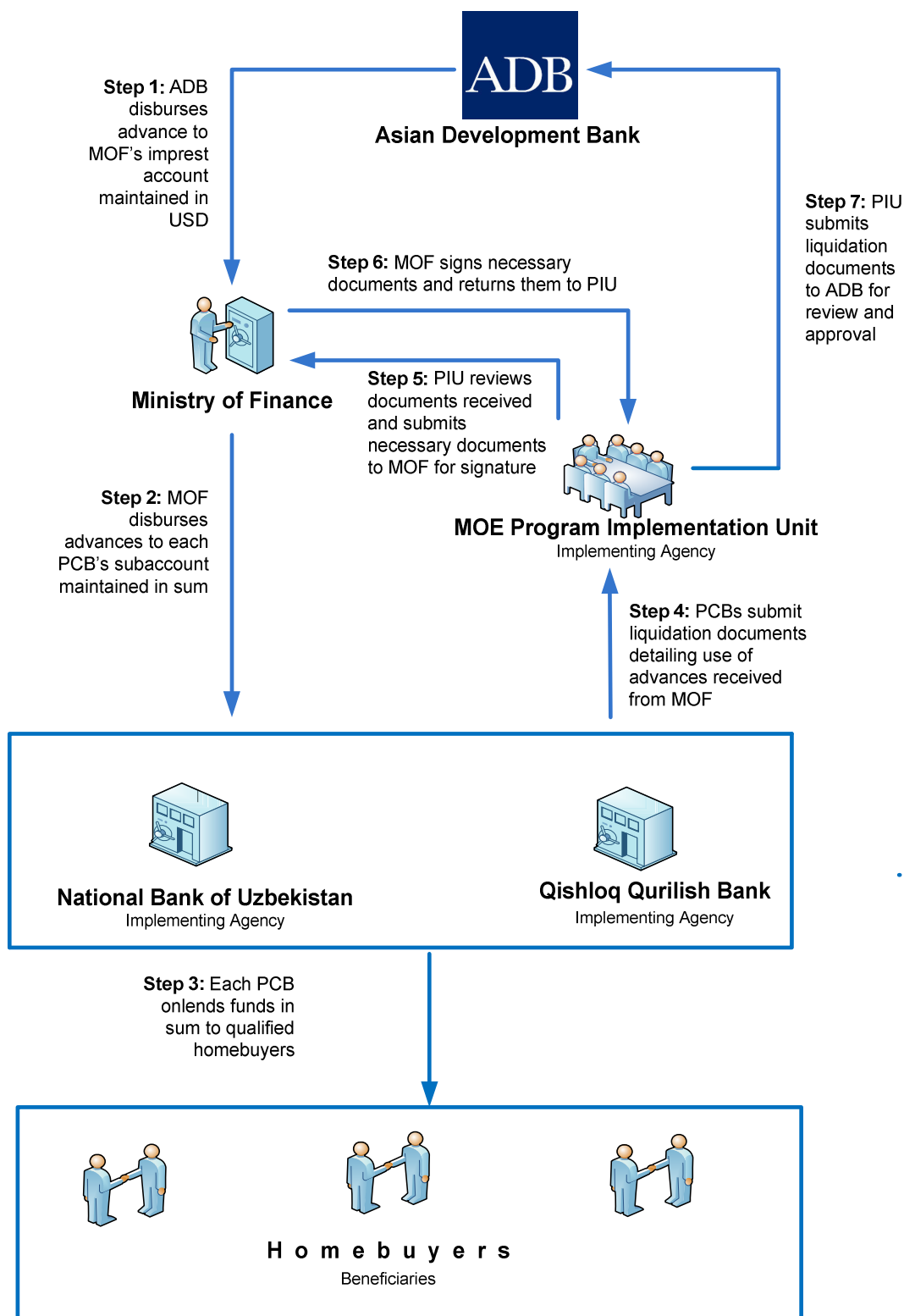


## E. Fund Flow Diagram

Figure 6: Project 1 Fund Flow Diagram



**Figure 7: Project 2 and Project 3 Fund Flow Diagram**



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

19. Qishloq Qurilish Bank (QQB) was the sole PCB for Project 1. For Project 2 and Project 3, the National Bank of Uzbekistan (NBU) has also been confirmed as a PCB. In addition to fulfilling the Program's eligibility criteria for PCBs, all PCBs are required to achieve and maintain satisfactory results on the governance and integrity due diligence assessments. All PCBs are also required to have sufficient staff and capacity and adequate systems and controls for managing the envisaged funds flows.

20. All PCBs are required to undergo financial analysis, financial management assessment and integrity due diligence assessment, in addition to satisfying the following eligibility criteria (or providing a time-bound action plan acceptable to ADB to remedy any criteria which it not satisfies):<sup>12</sup>

- a) experience in mortgage lending;
- b) a branch network that provides financial services to rural areas;
- c) a risk-based capital adequacy ratio of at least 12%;
- d) a return on average assets (ROAA) for each of the last two completed fiscal years of at least 0.5%;
- e) a ratio of non-performing loans (NPLs) in the "loss" category as defined by the Central Bank of Uzbekistan of less than 5%;
- f) corporate, financial, and governance practices acceptable to ADB;
- g) adequate credit and risk management policies, operating systems, and procedures; and
- h) satisfactory results achieved on ADB's financial management and integrity due diligence assessments.

21. An analysis of compliance with the requirements set forth in the immediately preceding paragraph is set forth in Table 16.

**Table 16: Summary of Compliance with HIRD Eligibility Criteria**

Requirement	NBU	QQB
Capital adequacy ratio of not less than 12% <sup>a</sup>	21.2%	19.8%
ROAA ratio of not less than 0.5% for each of the last two completed fiscal years (2013 ROAA in parentheses)	0.95% (0.98%)	0.78% (0.72%)
Nonperforming loans less than 5% of total loan portfolio	0.3%	0.1%
Corporate, financial, and governance practices acceptable to ADB <sup>b</sup>	Yes	Yes
Adequate credit and risk management policies, operating systems, etc.	Yes	Yes
Prior experience in mortgage lending	Yes	Yes
Branch network providing financial services to rural areas	Yes	Yes
Full compliance with all prudential requirements and ratios of the CBU	Yes	Yes
Satisfactory results on ADB integrity due diligence	Yes	Yes

ADB = Asian Development Bank; CBU = Central Bank of Uzbekistan; HIRD = Housing for Integrated Rural Development; NBU = National Bank of Uzbekistan; QQB = Qishloq Qurilish Bank, ROAA = return on average assets.

Note: Financial data for year ended 31 December 2014.

<sup>a</sup> Calculated by dividing regulatory capital (not Tier 1 capital) by risk weighted assets, as provided in loan agreement.

<sup>12</sup> This is permitted under ADB rules. ADB. 2003. Financial Intermediation Loans. *Operations Manual*. OM D6/BP and D6/OP. Manila (para. 9).

<sup>b</sup> QQB is implementing an action plan to improve its collection of nonperforming loans and reduce its level of unsecured loans.

Source: Asian Development Bank.

22. Based on an assessment<sup>13</sup> of the financial management systems of each of the PCBs, ADB is satisfied that the two selected PCBs have (i) appropriate credit and risk management policies, operating systems, and procedures to prudently make loans to rural homebuyers under the Program; (ii) acceptable corporate and financial governance and management practices including, among other things, transparent financial disclosure policies and practices; and (iii) ability to independently assess the creditworthiness of loan applicants. Additionally, each of the PCBs has an appropriate internal audit unit that reports to the bank's supervisory board and an annual audit plan that follows formalized auditing policies and procedures.

23. As shown in Table 16, ADB has determined that both NBU and QQB meet the eligibility criteria.

## **B. Disbursement**

24. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed upon between the Government and ADB. ADB will only finance eligible expenditures. Expenditures eligible for financing are detailed in the loan agreement (e.g., attachment to Schedule 3, allocation and withdrawal of loan proceeds, also referred to as the "allocation table"). Loan proceeds for each Project will be disbursed in accordance with the conditions of disbursement in the relevant loan agreement and in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time)<sup>14</sup> and detailed arrangements as agreed upon between the government and ADB.

Before the submission of the first withdrawal application, MOF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000 equivalent. Individual payments below this amount should be paid (i) by MOE and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure, unless otherwise accepted by ADB. Withdrawal applications and supporting documents will demonstrate, among other things, that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing."

### **1. Requirements for Disbursement**

25. For each Project, the first withdrawal from the loan account requires the following:

- (i) ADB has declared the loan effective;
- (ii) the borrower has submitted to ADB sufficient evidence of the authority of the person/s who will sign withdrawal applications on behalf of the borrower, together

<sup>13</sup> A Note to File summarizing the satisfactory compliance with due diligence for the proposed participating commercial banks are prepared by the project team for management endorsement and approval.

<sup>14</sup> Available at: <http://www.adb.org/sites/default/files/institutional-document/33606/adb-loan-disbursement-handbook.pdf>.

with the authenticated specimen signature of each authorized person (see Attachment 1c);<sup>15</sup> any subsequent change in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided; and

- (iii) any conditions for withdrawal (i.e., disbursement conditions, such as the signing of the subsidiary loan agreements and project agreements) specified in the loan agreement have been complied with.

26. After SLAs are signed, legal opinions are issued, and imprest account (IA) and subaccount (SA) are established, and prior to initiating withdrawal and to expedite disbursement, necessary actions by the PIU and the PCBs include:

- (i) assignment of qualified accountant/s and establishment of sound internal control and accounting systems;
- (ii) review of Schedule 3 of the loan agreement which provides details of ADB financing such as amount, disbursement percentages, items of financing, and applicable conditions of financing;
- (iii) establishment of record keeping (including the submission by PCBs to ADB of their ESMS for approval by ADB) systems to maintain all signed contracts, and receipts and relevant evidentiary transaction documentation, for eligible expenditures;<sup>16</sup> and
- (iv) actions for procurement in full accordance with ADB *Procurement Guidelines* (2015, as amended from time to time).

27. **HIRD credit line component.** ADB's imprest fund and SOE procedures will be used for disbursements under the credit line component of the Project 3 loan. The MOF will establish and administer the imprest account in USD to which ADB will remit the US dollar loan proceeds. Each PCB will open and manage a subaccount in local currency from which it will make subloan disbursements. The imprest account and subaccounts shall contain only the proceeds of the loan from ADB. The maximum balance of the imprest account and the sum of the balances of all of the subaccounts shall not, in either any case, exceed the estimated eligible expenditures for the next 6 months. If funds withdrawn from the loan account are determined to be in excess of these limits or ineligible for ADB financing, the borrower must arrange a refund as instructed by ADB.

28. The PCBs will submit to MOF sufficient evidence of the authority of the person/s who will sign withdrawal applications (WAs), together with the authenticated specimen signature of each authorized person (Attachment 1c). The request for advance should be accompanied by a WA

<sup>15</sup> Any subsequent change in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided.

<sup>16</sup> Executing and implementing agencies are required to retain all records (e.g., contracts, purchase orders, invoices, bills, receipts, subloan agreements) evidencing eligible expenditures and to enable ADB's representative to examine such records. Such records should be retained for at least 1 year following receipt by ADB of the final audited financial statements for the entire period of the MFF or 2 years after the loan closing date for the last tranche of the MFF, whichever is later. The executing and implementing agencies are responsible for ensuring that they retain documents for any longer period required by law or regulation.

(Attachment 1d) and an Estimate of Expenditures Sheet (Attachment 1e) setting out estimated disbursements for the next 6 months by each PCB. With respect to the first request for an advance under a Project, submission of evidence satisfactory to ADB is required that the imprest account and all of the subaccounts have been opened. ADB will transfer the amount of each loan disbursement to the imprest account owned by the MOF. MOF will then allocate each loan disbursement from ADB based on the estimated subloan disbursements of each PCB (after making proportional or any other reasonable adjustments if the sum of such disbursements exceeds the total local currency amount available), in accordance with and not to exceed the loan amount (equivalent) in the subsidiary loan agreement and promptly transfer the allocable local currency amounts to the PCBs. Each PCB will subsequently transfer funds from the subaccount to the account of each subborrower."

29. PCBs will be responsible for (i) preparing disbursement projections, (ii) requesting counterpart funds from the government, (iii) projecting subloan demand estimates as the basis for preparation of withdrawal applications, (iv) preparing a list of approved subloans for liquidation reports to ADB; and (v) collecting and maintaining all supporting documents. The advance will be liquidated by submitting a liquidation report (Attachment 1f) in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time) using the agreed SOE format (Attachment 1g), with a list of subloans disbursed by each PCB. For each subloan, the SOE shall show:

- a) the name of the subborrower;
- b) the subborrower's passport number;
- c) the purchase cost of the house (i.e., the total cost of the subproject);
- d) the amount of the subborrowers' equity (i.e., the total payment made by the subborrower);
- e) the amount of the subloan in local currency;
- f) the amount of the subloan in US dollars;<sup>17</sup>
- g) the percentages of the subloan financed by ADB and the PCB; and
- h) other relevant details required to support results-based reporting requirements of the Program as agreed among ADB, MOE, and the PCBs.
- i) date mortgage agreement was signed

30. Each liquidation report will include (a) withdrawal application for liquidation of advance, (b) statement of expenditures, (c) bank statements for the imprest account and each subaccount (Attachment 1h), (d) the Imprest Account Reconciliation Statements (IARSS) (Attachment 1i) required to reconcile all bank statements against the records of MOF and the PCBs. The SOE ceiling is \$50,000 per payment. SOE records should be maintained and readily available for review by ADB's disbursement and review mission and external auditors. The MOF, MOE, and the PCBs will supply to ADB in a timely manner any supporting documents requested by external auditors or ADB including documentation supporting creditworthiness assessments of each subborrower.

31. **HIRD non-credit line component.** ADB's imprest fund and SOE procedures will be used for disbursements under the non-credit component of the loan. PIU will establish a separate imprest account and be the approving authority for payments related to program

<sup>17</sup> Calculated by converting the local currency amount into US dollars using the foreign exchange rate used to convert the US dollar advance into local currency.

management and capacity development support (including PIU salary, office equipment, office supplies, and consultancy support). The imprest fund, statement of expenditures (SOE) (not exceeding \$100,000 per individual payment), and direct payment procedures will be used for payments to consultants and for PIU operations. The process steps for the imprest fund procedure are detailed in Attachment 1b.

32. The PIU is responsible for following ADB procedures for submitting withdrawal applications and liquidation forms. The PIU submits to ADB sufficient evidence of the authority of the person/s who will sign withdrawal applications (WAs) on behalf of the borrower and the PCBs together with the authenticated specimen signature of each authorized person (Attachment 1c). The request for initial advance should be accompanied by a WA (Attachment 1d) and an Estimate of Expenditures Sheet (Attachment 1e)<sup>18</sup> setting out estimated disbursements for the next 6 months. The advance will be liquidated by the PIU on a regular basis by submitting a liquidation report (Attachment 1f) in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time).

33. **Winding-up period.** The borrower may make withdrawals from the loan account for expenditures incurred on or before the loan closing date. Expenditures incurred after the loan closing date will not be financed under the loan. ADB may allow up to 4 months after the loan closing date (i) for the borrower's WAs to be submitted to ADB for expenditures incurred on or before the loan closing date, and (ii) for the borrower to fully liquidate expenditures incurred on or before the loan closing date. After the winding-up period, WAs, including requests for liquidation, will not be accepted. Extension of the winding-up period, on an exceptional basis, may be approved by ADB by sending a formal request to ADB justifying reasons for the extension.

34. Within 2 months after the winding-up period for submission of documents, the borrower should fully refund any outstanding imprest account balances to ADB. If the borrower fails to fully refund such balances, ADB may, among other corrective actions, decide not to allow the use of the imprest fund procedure under the borrower's new projects until such time as the refund is received.

35. **Refund of Advance.** ADB applies the current value of the refund. In the event there is exchange difference between the amount charged to the loan account when the original payment was made and the equivalent amount at the time of refund, the exchange difference may be absorbed by the borrower's loan account. All refunds must be paid to ADB's accounts at its depository banks with payment details indicating (i) references such as loan number, (ii) description or nature of the refund, and (iii) currency and amount of refund. The borrower and/or EA should send advice to ADB's Treasury Services Division (TDTS) and Loan and Grant Disbursement Section (CTLA-LGD) once a refund is made.

36. Any unliquidated balance of the advance to the imprest account must be promptly refunded to ADB. Refund of imprest advance is in the currency of the imprest account. ADB applies the current value of the refund.

37. If funds withdrawn from the loan account are determined to be in excess or ineligible for ADB financing, the borrower must arrange a refund as instructed by ADB. The refund is normally credited to the borrower's loan account on the date of receipt in ADB's depository

<sup>18</sup> Loan Disbursement Handbook, p. 100 (Appendix 10B).

account. A money transfer fee or bank charge deducted from the refund amount, if any, may be absorbed by the loan account with due attention to considerations of economy and efficiency.

**38. Subproject, Subborrower, and Subloan Criteria.** ADB's loan will finance subloans to creditworthy targeted beneficiaries who are approved to purchase new rural houses under the HIRD. To be an eligible subborrower under the Facility, a subborrower must:

- a) be a citizen and a resident of a rural area of Uzbekistan;
- b) have formal income less than the HIRD income threshold (to be defined annually as a multiple of the minimum wage) such that all HIRD beneficiaries are moderate- to lower-income households (whereby the definition and thresholds for moderate- to lower-income households will be pre-agreed upon with ADB for each Project);
- c) be evaluated and prioritized in accordance with a predefined scoring system to achieve gender-specific beneficiary targets for moderate- to lower-income households, young families, single-headed households, and rural teachers and health workers;
- d) provide a down payment of at least 25% of the cost of the house; and
- e) demonstrate to the reasonable satisfaction of the PCB the character and capacity to provide the minimum down payment and repay the mortgage in full on time.

**39.** ADB-financed subloans will be subject to the following terms and requirements:<sup>19</sup>

- a) a principal amount of the lesser of 1,000 times the minimum monthly wage or the SUM equivalent of \$50,000;
- b) applicable only to the purchase of a new house that is constructed in a rural area, purchased under HIRD, and will be occupied by the subborrower and maintained as the subborrower's primary residence for at least five (5) years;
- c) a 15-year term with a grace period of 12 months for Projects 1 and 2 and 36 months for Project 3, with mortgage payments structured on an annuity basis;
- d) for Project 1:
  - i. with respect to subloans made for houses started in 2012, a fixed interest rate of 7% for the entire 15-year term of the mortgage; and
  - ii. with respect to subloans made for houses started in 2013, a fixed interest rate of 7% is applied for the first 10 years, with a fixed interest rate equal to the market interest rate (the CBU refinancing rate as at the 31 December of the year previous is used as a proxy) applied for the remaining 5 years;
- e) for Project 2:
  - i. with respect to subloans made for houses started in 2013, an interest rate of 7% per annum for the first 10 years and 90% of the market rate (wherein the CBU refinancing rate will be used as proxy) will be applied for the remaining 5 years; and
  - ii. with respect to loans made for houses started in 2014, a fixed interest rate of 7% is applied for the first 5 years, and 90% of the market rate (wherein the CBU refinancing rate will be used as proxy) will be applied for the remaining 10 years.

<sup>19</sup> Terms and requirements contained in items (c)–(f) reflect the amendments to the Framework Financing Facility and the tranche 1 Loan Agreement.

- f) for Project 3 subloans made for houses started in 2015, a fixed interest rate of 7% is applied for the first 5 years, and 100% of the market rate (wherein the CBU refinancing rate will be used as proxy) will be applied for the remaining 10 years.

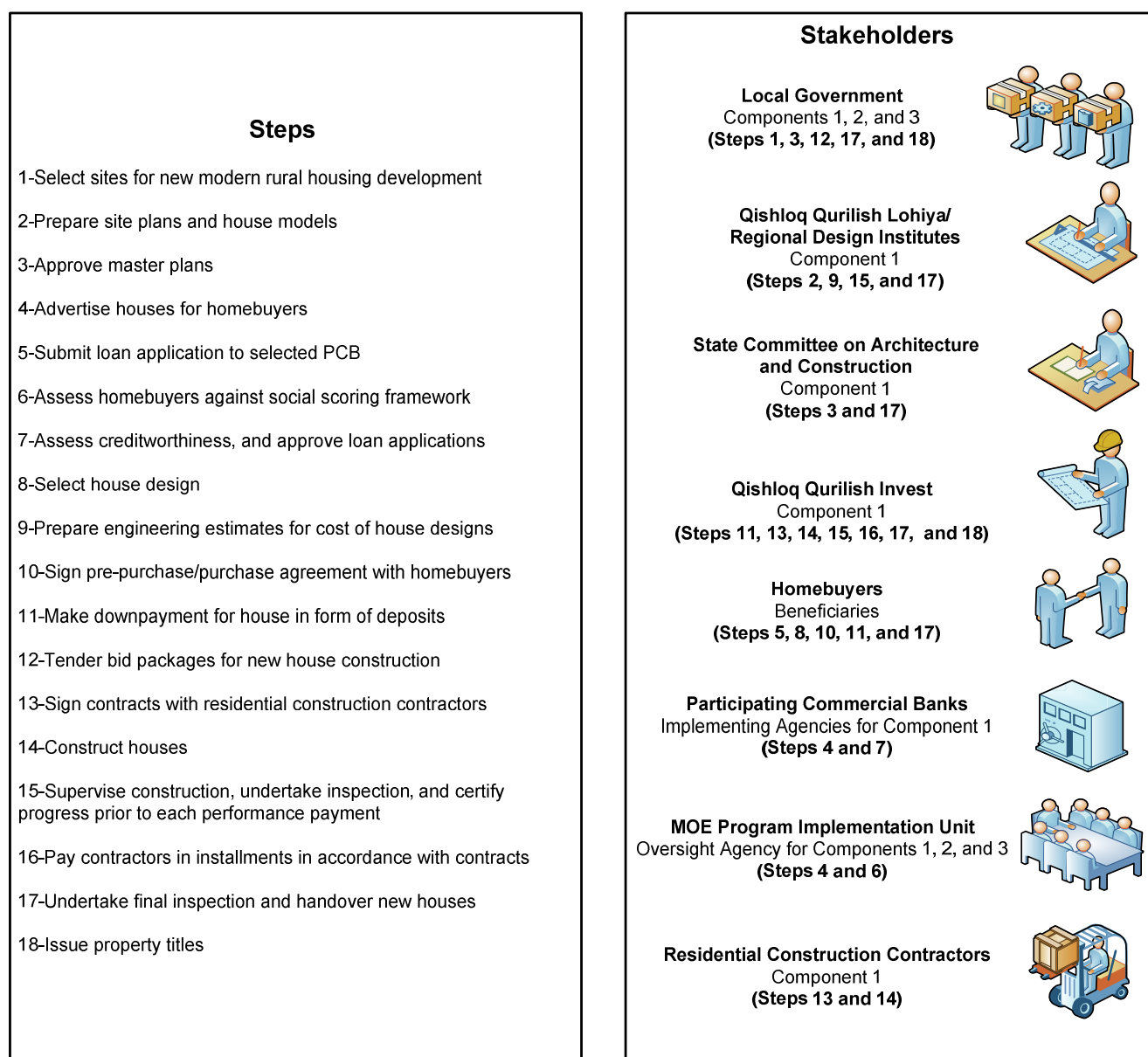
40. Subprojects to be financed under the Program should:

- a) comply with Uzbekistan's national procurement and commercial practices, labor law, land laws and environmental and safeguard regulations;
- b) be in accordance with ADB's procurement guidelines (as contained in ADB's *Procurement Guidelines 2015*, as amended from time to time), labor and other safeguards policies, and environmental and social safeguard policies (as contained in ADB's *Safeguard Policy Statement* [2009], as amended from time to time).

41. Key steps to guide implementation for critical HIRD processes (Figure 8), have been developed in close consultation with relevant government agencies and are outlined in Attachments 6a to 6f on e-file:

- a) HIRD Process 1: Public Information Campaign
- b) HIRD Process 2: Site/Land Selection
- c) HIRD Process 3: Beneficiary Selection
- d) HIRD Process 4: Contractor Selection
- e) HIRD Process 5: House Pricing Process
- f) HIRD Process 6: Construction Quality Assurance

**Figure 8: Key Steps in HIRD Processes under Component 1**



### C. Accounting

42. The PIU and each PCB will maintain separate books and accounts of all expenditure financed out of ADB's loan proceeds relating to this Program.

43. The PIU will maintain separate Program accounts and records for all expenditures incurred on the Program. Program accounts will follow international accounting principles and practices or those prescribed by the Government of Uzbekistan's accounting laws and regulations.

44. The PCBs will maintain separate books and accounts relating to all subloans financed out of ADB's loan proceeds relating to this Program. The PCBs will prepare and submit to ADB

in the English language within 6 months of the end of the fiscal year according to generally accepted accounting principles the audited Statement of Utilization of Funds for subloans approved and reimbursed by ADB (“Statement of Utilization of Funds”). The Statement of Utilization of Funds will be prepared using the same accounting principles and guidelines as the PCBs’ statutory financial statements.

45. The PIU’s annual Program financial statements should be prepared on the cash basis of accounting and include cash-based receipt and expenditure payments statements. Annual Program financial statements should be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated. The annual Program financial statements should be presented in the English language and should reflect the operations supported by ADB financing.

46. The PCBs will submit a copy of their own entity-level Audited Financial Statements, prepared in accordance with national accrual-based financial reporting standards acceptable to ADB, within 6 months of the end of the fiscal year and shall be provided to ADB within one month of their approval by the relevant authority.

#### **D. Auditing**

47. Article 14(xi) of the *Agreement Establishing the Asian Development Bank* (the Charter) requires ADB to take necessary measures to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used only for the purposes for which the loan was granted and with due attention to considerations of economy and efficiency. In addition, Article 14(xiv) of the Charter requires ADB to be guided by sound banking principles in its operations.

48. To fulfill these requirements of the Charter, ADB requires that ADB funds and ADB-administered external funds from financing partners be used appropriately and only for the intended purposes.

49. Public disclosure of the Audit Opinion and related annual audited project financial statements will be guided by ADB’s Public Communications Policy (2011).<sup>20</sup> After review, ADB will disclose these within 30 days of the date of their receipt by posting them on ADB’s website. The Audit Management Letter and the Entity-Level Audited Financial Statements will not be disclosed.

50. The government and the PCBs have been made aware of ADB’s policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited financial statements.<sup>21</sup>

<sup>20</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

<sup>21</sup> ADB Policy on delayed submission of the audited Statement of Utilization of Funds and Entity-Level Financial Statements: (i) When either the Statement of Utilization of Funds or Entity-Level Financial Statements have not been received by the due date, ADB will write to the executing and implementing agencies advising that (a) the audit documents are overdue; and (b) if they are not received within the next six months, requests for new commitments and disbursement such as new replenishment of imprest accounts and processing of new reimbursement will not be processed; (ii) When either the Statement of Utilization of Funds or Entity-Level Financial Statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new commitments and disbursement such as new replenishment of imprest accounts and processing of new reimbursement ADB will (a) inform the executing and implementing agencies of ADB’s actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next six months; and (iii)

51. The audit should be conducted in accordance with auditing standards acceptable to ADB and carried out by independent auditors acceptable to ADB. The audit should relate to the whole project, not just to the ADB-financed portion.

52. The audit report includes the auditor's opinion on whether the financial statements show a true and fair view. The auditor should also provide opinion(s) on the use of the loan proceeds and compliance with the financial covenants of the legal agreement as well as on the use of the procedures for the imprest account(s) and statement of expenditures.

53. A complete set of annual audited project financial statements should be provided by the borrower to ADB, together with the audit report which includes the auditor's opinion and management letter.

54. The PIU and PCB Program financial statements and the PCB financial statements will be separately audited in accordance with International Standards on Auditing by auditors acceptable to ADB. The audited financial statements with the management letter will be submitted in the English language to ADB within 6 months of the end of each fiscal year. Audit requirements and a template for the terms of reference for auditors of the PIU and the PCBs are provided as Attachments 2a and 2b.

55. The annual project financial statements should

- (i) be prepared on the cash basis of accounting and include (at a minimum) cash-based receipt and expenditure payments statements;
- (ii) be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated;
- (iii) be presented in the English language and should reflect the operations supported by ADB financing, including ADB-administered funds;
- (iv) include comparative figures for the preceding reporting year and cumulative figures from the loan effectiveness date to the end of the current reporting year; and
- (v) include all sources of funds (both ADB-provided and otherwise).

56. The project cash payments should be presented following the expenditure categories contained in the legal agreement and/or the FAM, and revisions thereto.

57. Financial statements for PCBs should be prepared in accordance with international financial reporting standards.

58. The accompanying Notes to Financial Statements should provide sufficient explanation and information on the financials in narrative form or appropriate supporting schedules, including description of key financial reporting policies.

59. The auditors are engaged to provide an independent and objective opinion on whether the financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. The auditors should

When either the audited Statement of Utilization of Funds or Entity-Level Financial Statements have not been received within 12 months after the due date, ADB has the option to suspend the loan.

also form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, and clearly express that opinion through a written report that also describes the basis for that opinion. The auditor's opinion is necessary to establish the credibility, or otherwise, of the project financial statements. The auditor should also provide opinions covering:

- (i) **Use of loan proceeds.** ADB requires that the auditor confirms whether loan proceeds were used only for the purposes of the project or not.
- (ii) **Compliance with financial covenants.** The auditor is required to confirm the compliance for each financial covenant contained in the legal agreement for the project. The auditor should also indicate, where applicable, the extent of any noncompliance, by reference to the specified (required) and actual performance measurements for each financial covenant for the fiscal year concerned. This requirement must be included in the auditor's terms of reference (TOR), which should also specify the financial covenants for which the auditor has to express an opinion regarding compliance.
- (iii) **Use of imprest fund procedure which includes imprest accounts and sub-accounts,**<sup>22</sup> where such accounts have been established for the project. Such an audit may be separate, or included as a part of the overall audit of the project financial statements. It is limited to the transactions of the imprest accounts, as the expenditures reimbursed or paid directly from the imprest accounts are to be audited as a part of the project financial statement audit, with appropriate review of the in-transit items. Where the audit forms a part of the overall audit of the project, a separate reference to the imprest account audit should be included in the auditor's opinion. Where the audit of the imprest accounts is self-standing, a specific audit opinion is required.
- (iv) **Use of the Statement of Expenditure (SOE) procedure** ADB requires that particular attention be paid to the internal control systems and the verification of documents relating to SOE expenditure, not only to ascertain proper financial accountability, but also that expenditure is eligible for inclusion in the project. Where the audit forms a part of the overall audit that of the project, ADB requires a special reference in the auditor's opinion with respect to the SOE portion of the audit. Where a separate audit of the SOE is required, additional paragraphs should be included in the audit opinion of the project certifying (a) to the eligibility of those expenditures claimed under SOE procedures, and (b) proper use of the procedure in accordance with ADB's Loan Disbursement Handbook and the project documents.

60. The requirements for the auditor's opinion should be included in the auditor's TOR. An auditor's opinion can be unmodified or modified, with three types of modified opinion: (i) qualified, (ii) adverse, and (iii) disclaimer of opinion. The type of auditor's opinion is not the basis for assessing the acceptability of the submitted audited project financial statements. Rather, it should prompt the project team leader to evaluate the appropriate action required, e.g., follow-up request to the EA for corrective action or suspend the right to withdrawal the proceeds of ADB financing.

<sup>22</sup> See OM J6 (Disbursements). A sub-account refers to a separate bank account opened in the name of an IA or unit for the exclusive use of meeting project expenditures incurred by the IA. A sub-account receives its funds from the main imprest fund account.

61. The audit of financial statements includes consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may, however, identify deficiencies in internal control during the assessment of risks of material misstatement and also at any other stage of the audit.

62. The auditor should communicate on a timely basis any material deficiencies or weaknesses in the financial reporting system or in the overall system of internal control and audit of a project through a management letter. The management letter is issued as “confidential” to project management and should not be publicly disclosed.

63. **Selection of Auditors.** ADB requires that the borrower and the EA/IA select and appoint an auditor acceptable to ADB within a sufficient period to conduct the annual audit of ADB-financed projects. The borrower or EA should appoint an independent auditor at or before the start of project activities, and for each fiscal year until the project is financially closed.

64. Auditors conducting audits of ADB-financed and administered projects may be drawn from private or public sector audit practitioners. ADB will require that the auditors appointed by the borrower or EA must satisfy the following criteria:

- (i) impartial and independent of the control of the entity to be audited and of the person or entity appointing them. In particular, must not be otherwise employed by; serve as directors of; or have family, financial, or close business relationships with the entity during the period covered by the audit.
- (ii) well-established and reputable; use procedures and methods that conform to agreed international auditing standards, or the national auditing standards of the developing member country acceptable to ADB (supplemented where necessary with additional auditing and reporting procedures); and employ adequate numbers of staff with the required qualifications, experience, and competence.
- (iii) able to demonstrate experience in auditing accounts and financial statements for projects and entities comparable in type, nature, and complexity to the assignment to be undertaken.
- (iv) propose (and assign) the audit work to personnel who have the necessary capabilities to complete it competently and on time.

65. If auditors acceptable to ADB are not available in the developing member country, the borrower or EA should appoint suitable international auditors, preferably to work in collaboration with a local auditor. ADB reserves the right to review the list of auditors from which an appointment will be made by the borrower or EA, and identify any auditor who may not meet ADB's criteria.<sup>23</sup> ADB shall indicate the acceptability of an auditor in the form of a “no objection” provided that existing or proposed auditors satisfy the selection criteria. ADB reserves the right to require a change in the auditors (in a manner consistent with the constitution of the

<sup>23</sup> ADB may request the following information to be satisfied regarding independence and experience of the proposed auditor: (i) name of the auditor, (ii) names, qualifications, and experience of the principals and managers; (iii) approximate number of professional staff employed; (iv) listing of some of the main audits currently and previously carried out by the auditor; and (v) a statement of the independence of the firm of auditors vis-à-vis the entity it is proposed to audit.

borrower/PCBs), or for an additional support to the auditor/s, if the audits required are not carried out in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the Program's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

66. The borrower assures ADB that the auditor has been notified of ADB's requirements, including the timing of the audit, issuance of the audit report and management letter, and public disclosure requirements where applicable. While regulatory requirements as well as the nature/type of the project and the implementing organization (where applicable) will normally determine the scope and depth of an audit examination, providing instructions to auditors in the form of a TOR should facilitate understanding of ADB's requirements particularly those that extend an audit's scope and detail. The TOR is in Attachment 2c.

67. Based on the TOR, the auditor prepares an audit engagement letter, setting out the responsibilities of the auditor and borrower including a provision for termination in the case of unacceptable performance for any given year over the engagement period. The EA will monitor the auditor's performance against the engagement letter and TOR.

68. MOE-PIU and the PCBs should submit annually the audited project financial statements (which includes the audit report) and the management letter for each financial reporting period (fiscal year) from the date of loan effectiveness until the loan account's financial closing on ADB's record of loan account. The annual audited project financial statements, etc. will be submitted 6 months after the end of the EA's fiscal year.

69. ADB encourages the audit of project financial statements irrespective of the size or number of project financial transactions. The first reporting year may include a part-year from the loan effectiveness date to the end of that fiscal year while the last reporting year may include a part-year from the start of the fiscal year in which a project loan account is closed, to the loan closing date. The first project financial reporting year may be extended to a maximum of 18 months where the first financial reporting period from the loan effectiveness date to the relevant fiscal year end, would otherwise be less than 6 months. Similarly, the last reporting year for the project may also be extended to a maximum of 18 months.<sup>24</sup>

70. On an exceptional basis, the EA may indicate that the project's financial activity during the first financial reporting period (up to a maximum of 18 months) has been limited. The value of conducting an audit of project financial statements may therefore not be commensurate with the cost of audit. In such cases, the EA may request ADB for a waiver of the covenant requiring the submission of audited project financial statements.

71. **Technical and Financial Performance Review (TFPR).** A technical and financial performance review covering 2009–2011, with three related technical studies (on lower cost housing, green housing options, and construction standards), was tendered in 2014 and completed in June 2015. The technical and financial performance review is being financed by the non-credit component of the Project 1 loan. The terms of reference for the technical and financial performance review are in Attachment 2d.

<sup>24</sup> For example, if the fiscal year ends on 31 December and a project closes on 30 June 2017, the EA may request that the last reporting year for the project cover the last whole reporting year (1 January 2016–31 December 2016) and the partial year until project closure (1 January 2017–30 June 2017), i.e., an 18-month period. However, for a project that closes on 30 September 2017, the EA has to arrange for a separate audit of the last 9-month period of the project (1 January–30 September 2017).

72. **Technical and Financial Performance Audits (TFPAs).** To ensure value for money and construction quality in accordance with national building and construction standards, and to highlight areas for further improvement of HIRD, an independent technical and financial performance audit and value for money assessment will be undertaken annually. The technical and financial performance audit will assess HIRD cost-based engineering estimates which serve as a benchmark for evaluating contractors' financial bids for construction of HIRD new houses, contractor procurement, and construction quality assurance processes, as well as value for money and quality against agreed standards of HIRD house construction and related house infrastructure services (electricity and gas connections and water supply, road access). The technical and financial performance audit will be initiated for rural houses constructed under HIRD 2012 by January 2014.<sup>25</sup> For rural houses constructed under HIRD 2013, 2014, and 2015, the technical and financial performance audits will be initiated within 3 months following the completion of all house construction for the related year. The terms of reference for the technical and financial performance audit are in Attachment 2e. Findings and recommendations of each audit will be adopted in each succeeding construction year as appropriate for continued improvement of HIRD procedural approaches and new house construction. All four TFPAs are being financed by the non-credit component under Project 2 and Project 3.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Contracting

73. All advance contracting will be undertaken in conformity with ADB's *Procurement Guidelines* (2015, as amended from time to time).<sup>26</sup> The invitations for bids (IFB) and the master bidding document (MBD) to be adopted for the Program are subject to ADB clearance prior to their issuance and use. The MOE and PCBs have been advised that approval of advance contracting does not commit ADB to finance any Project.

74. The construction period of HIRD houses ranges from 6 to 12 months. Requests for bids will be advertised each year up to six months prior to planned construction. For Projects 1, 2, and 3, ADB approved advance initiation of the procurement process to enable broad public advertisement of the request for bids to be initiated in accordance with ADB procurement requirements.

### B. Procurement of Goods, Works, and Consulting Services

75. All procurement of goods and works<sup>27</sup> will be undertaken in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time). International competitive bidding procedures will be used for civil works contracts estimated to cost \$5.0 million or more. National competitive bidding procedures will be used for civil works contracts estimated to cost

<sup>25</sup> The technical and financial performance audits will be undertaken in accordance with International Organization of Supreme Audit Institutions (INTOSAI) guidelines for performance audits.

<sup>26</sup> Available at <http://www.adb.org/sites/default/files/institutional-document/31482/procurement-guidelines-april-2015.pdf>.

<sup>27</sup> Except in any case in which the Board of Directors determines otherwise, (i) loans or grants from Special Funds resources can be used only for procurement of goods, works, and services produced in, and supplied from, developed member countries that have contributed to such resources or developing member countries; and (ii) loans or grants from ADB's ordinary capital resources or ADB-administered funds can be used only for procurement of goods, works, and services produced in, and supplied from, member countries.

less than \$5.0 million.<sup>28</sup> Before the start of any procurement ADB and the government will review Uzbekistan's public procurement laws to ensure consistency with ADB's *Procurement Guidelines*. The bidding procedure for works shall be single-stage: two-envelope. Individual consultant selection will be used for hiring consultants. Procurement plans for the Program indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines are in Section C.

76. All consultants will be recruited according to ADB's *Guidelines on the Use of Consultants*.<sup>29</sup> The terms of reference for all consulting services are detailed in Section D. For the Program capacity development component, an estimated 473 person-months (14 international and 459 national)<sup>30</sup> of consulting services, including PIU staff, are required to (i) support and enhance results-based program management, implementation, monitoring and reporting, (ii) strengthen capacity of local governments for rural development planning and investment promotion, and (iii) undertake a number of studies and other activities to improve the impact of the Program. Tables 23 and 25 below provide more details. The Ministry of Foreign Economic Relations Investment and Trade must give its clearance for all consultants' contracts not later than 30 days upon submission of the signed contracts to their office for review.

### C. Procurement Plan

77. **Program procurement thresholds.** Except as ADB may otherwise agree, the following thresholds shall apply to procurement of goods and works:

**Table 17: Program Thresholds for Procurement of Works and Goods**

Procurement Method	Threshold
International Competitive Bidding for Works	\$5 million or more
National Competitive Bidding (NCB) for Works	Less than \$5 million
NCB for Goods	Less than \$500,000
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

NCB = national competitive bidding.

Source: Asian Development Bank staff.

78. **ADB prior or post review.** Except as ADB may otherwise agree, the following prior or post review requirements apply to procurement and consultant recruitment methods used for the project:

**Table 18: Program Review of Procurement of Works and Goods**

Procurement Method	Prior or Post Review
International Competitive Bidding for Works	Prior
National Competitive Bidding (NCB) for Works	Prior/Post (sampling)
NCB for Goods	Prior/Post
Shopping for Works ≥ \$5,000	Post

<sup>28</sup> For tendering of contractors for construction of HIRD new rural houses, HIRD procurement guidelines, which have been developed in close coordination with ADB to ensure consistency with ADB's *Procurement Guidelines* (2015, as amended from time to time), have been approved by the Cabinet of Ministers and adopted for implementation nationwide.

<sup>29</sup> Checklists for actions required to contract consultants are available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

<sup>30</sup> Preliminary indicative estimate subject to subsequent revision by MOE in close coordination with ADB.

<b>Procurement Method</b>	<b>Prior or Post Review</b>
≤\$5.001-\$100,000	Prior
Shopping for Goods	
≥ \$5.000	Post
≤\$5.001-\$100,000	Prior
<b>Recruitment of Consulting Firms</b>	Prior
<b>Recruitment of Individual Consultants</b>	Prior

NCB = national competitive bidding.

79. ADB prior review of HIRD procurement guidelines, HIRD standard bidding documents, and HIRD tendering and bid evaluation processes was undertaken prior to their adoption for HIRD 2012 and prior review of revised versions of these documents was done in 2013, 2014, and 2015. In 2015, a procurement manual was also approved by ADB. Subsequent modifications to standardized formats will require ADB review and clearance prior to their adoption. Post review is being undertaken for procurement of NCB works for HIRD 2012, HIRD 2013, and HIRD 2014. For HIRD 2015, prior review will be undertaken for 30% of bid packages and post review (sampling) will be conducted for 20% of the remaining 70%. Subsequent modifications to standardized formats will require ADB review and clearance prior to their adoption.

**Table 19: List of Goods, Works, and Services Less than \$1 Million and Consulting Services Contracts Less than \$100,000 under Project 1**

<b>General Description</b>	<b>Aggregate Contract Value (\$)</b>	<b>Number of Contracts</b>	<b>Procurement/ Recruitment Method</b>
Civil works (house construction)	199,600,000	837	NCB
PIU staff (including national consultants, office support staff and office expenses)	103,494	8	ICS
Office equipment and office supplies	15,065	2	Shopping
Consulting services	253,321	3	CQS/LCS
Contingency	28,120		
<b>Total</b>	<b>200,000,000</b>	<b>850</b>	

CQS = consultant's qualifications selection, ICS = individual consultant selection, LCS = least cost selection, NCB = national competitive bidding, PIU = program implementation unit.

Note: Various consulting services including up to \$5,000 per year for the PIU audits selected using LCS and up to \$250,000 for the technical and financial performance review selected using CQS.

Source: MOE-PIU.

**Table 20: List of Goods, Works, and Services Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 under Project 2**

<b>General Description</b>	<b>Aggregate Contract Value (\$)</b>	<b>Number of Contracts</b>	<b>Procurement / Recruitment Method</b>
Civil works (house construction)	198,560,000	2,146	NCB
PIU staff (including interns and support staff)	320,000	30	ICS
Office equipment and office supplies	93,000	3	Shopping
Various consulting services <sup>a</sup>	867,000	19	ICS/QCBS
Contingency	160,000		
<b>Total</b>	<b>200,000,000</b>	<b>2,198</b>	

CQS = consultant's qualifications selection, ICS = individual consultant selection, LCS = least cost selection, NCB = national competitive bidding, PIU = program implementation unit.

<sup>a</sup> Includes up to \$5,000 per year for the PIU audit and up to \$325,000 for the technical and financial performance audits.

Source: MOE-PIU.

**Table 21: List of Works Contracts Estimated to Cost Less than \$1 Million under Project 3**

General Description	Aggregate Contract Value (\$)	Number of Contracts	Procurement / Recruitment Method
Civil works (house construction)	100,000,000	1,091 <sup>31</sup>	NCB
<b>Total</b>	<b>100,000,000</b>	<b>1,091</b>	

CQS = consultant's qualifications selection, ICS = individual consultant selection, LCS = least cost selection, NCB = national competitive bidding, PIU = program implementation unit.

<sup>a</sup> Includes up to \$5,000 per year for the PIU audit and up to \$325,000 for the technical and financial performance audits.

Source: MOE-PIU.

**Table 22: List of Civil Works Packages Awarded under Project 1 (Credit Component)**

Province	Aggregate Value (\$ million)	Number of Contracts	Procurement Method	Advertisement Date
Andijan	45.64	76	NCB	Jan 2012
Bukhara	33.37	61	NCB	Jan 2012
Ferghana	37.95	63	NCB	Jan 2012
Jizzakh	20.83	34	NCB	Jan 2012
Karakalpakstan	21.28	39	NCB	Jan 2012
Kashkadarya	51.58	87	NCB	Jan 2012
Khorezm	35.39	67	NCB	Jan 2012
Navoi	28.75	50	NCB	Jan 2012
Namangan	32.15	58	NCB	Jan 2012
Samarkand	53.28	89	NCB	Jan 2012
Surkhandarya	37.65	69	NCB	Jan 2012
Sirdarya	18.04	32	NCB	Jan 2012
Tashkent	67.32	112	NCB	Jan 2012
<b>Total</b>	<b>483.23</b>	<b>837</b>		

NCB = national competitive bidding.

Sources: Government of Uzbekistan and Asian Development Bank staff estimates.

<sup>31</sup> ADB will co-finance construction of 60 bid packages containing 226 construction contracts for 2,929 houses.

**Table 23: List of Goods and Services Awarded under Project 1  
(Non-Credit Component)<sup>1</sup>**

Consultant	Actual Cost (\$)	Number of Contracts	Recruitment Method
<b>A. Project Implementation Unit</b>			
<b>(i) National Consultants</b>			
PIU Manager	19,547	1	ICS
Financial Management Specialist	20,088	1	ICS
Engineer /Procurement Specialist	6,549	1	ICS
Institutional Development Specialist	16,235	1	ICS
IT/Database Specialist	3,802	1	ICS
Chief Accountant	16,818	1	ICS
<b>(ii) Office Support Staff / Operation</b>			
Secretary/Translator/Office Manager	5,123	1	ICS
Driver	6,337	1	ICS
<b>B. Technical and Financial Performance Review</b>	243,321	1	CQS
<b>C. PIU Audit</b>	5,000	2	LCS
FY 2012 – FY 2013	3,745	1	LCS
FY 2014 – FY 2015 (Q3&Q4)	1,255	1	LCS
<b>D. PIU Operational Expenses</b>	24,058	Various	Shopping
<b>E. Contingency</b>	33,120		
<b>Total</b>	<b>400,000</b>		

CQS = consultant's qualifications selection, ICS = individual consultant selection, LCS = Least-Cost Selection, PIU = program implementation unit.

<sup>1</sup> Data as of 15 June 2015.

**Table 24: List of Civil Works Packages Awarded under Project 2—2013  
(Credit Component)**

Province	Aggregate Contract Value (\$ million)	Indicative Number of Contracts	Procurement Method	Advertisement Date
Andijan	61.28	86	NCB	Jan 2013
Bukhara	44.69	75	NCB	Jan 2013
Ferghana	55.70	78	NCB	Jan 2013
Jizzakh	35.86	55	NCB	Jan 2013
Karakalpakstan	34.92	115	NCB	Jan 2013
Kashkadarya	72.29	58	NCB	Jan 2013
Khorezm	47.91	78	NCB	Jan 2013
Navoi	37.73	59	NCB	Jan 2013
Namangan	44.92	69	NCB	Jan 2013
Samarkand	68.63	103	NCB	Jan 2013
Sukhandarya	53.13	84	NCB	Jan 2013
Sirdarya	28.27	43	NCB	Jan 2013
Tashkent	65.31	95	NCB	Jan 2013
<b>Total</b>	<b>650.64</b>	<b>998</b>		

NCB = national competitive bidding.

Source: Government of Uzbekistan.

**Table 25: List of Civil Works Packages Awarded under Project 2—2014  
(Credit Component)**

<b>Province</b>	<b>Aggregate Contract Value (\$ million)</b>	<b>Indicative Number of Contracts</b>	<b>Procurement Method</b>	<b>Advertisement Date</b>
Andijan	69.38	97	NCB	Jan 2014
Bukhara	58.04	89	NCB	Jan 2014
Ferghana	57.67	93	NCB	Jan 2014
Jizzakh	42.13	61	NCB	Jan 2014
Karakalpakstan	43.06	147	NCB	Jan 2014
Kashkadarya	79.54	62	NCB	Jan 2014
Khorezm	54.92	85	NCB	Jan 2014
Navoi	46.57	67	NCB	Jan 2014
Namangan	53.28	80	NCB	Jan 2014
Samarkand	78.02	122	NCB	Jan 2014
Sukhandarya	61.45	92	NCB	Jan 2014
Sirdarya	34.39	50	NCB	Jan 2014
Tashkent	73.25	103	NCB	Jan 2014
<b>Total</b>	<b>751.69</b>	<b>1,148</b>		

NCB = national competitive bidding.

Source: Government of Uzbekistan.

**Table 26: List of Goods and Services under Project 2 (Awarded and Indicative)  
(Non-Credit Component)<sup>1</sup>**

<b>Consultant</b>	<b>Estimated Cost (\$)</b>	<b>Estimated Number of Contracts</b>	<b>Consultant Selection Method</b>	<b>Advertisement Date</b>	<b>Contract Duration (in Person-Months)</b>
<b>1. Consultants Serving as PIU Staff</b>					
<b>a. National<sup>a</sup></b>					
Program Implementation Unit Manager	33,600	1	ICS	Apr 2015	28
Accountant/ Financial Management Specialist	41,800	1	ICS	Nov 2013	38
M&E Specialist: PIC & Institutional development (components 2 and 3)	34,100	1	ICS	June 2014	31
M&E Specialist: Beneficiaries & GAP	41,800	1	ICS	Nov 2013	38
M&E Specialist: Procurement and Construction QQA	33,000	1	ICS	Jan 2014	30
M&E Specialist: Safeguards, Projects 2 and 3	31,900	1	ICS	Nov 2013	29
Interpreter/ Translator	22,200	1	ICS	Nov 2013	37
Procurement Specialist	41,800	1	ICS	Nov 2013	38
Lawyer/ Legal Advisor	22,000	1	ICS	Oct 2015	20
<b>b. PIU Interns<sup>a</sup></b>	19,800		ICS	Feb 2015	99
<b>c. PIU Office Support Staff</b>					0
Office Manager	21,660	1	ICS	Nov 2013	38
Driver	13,760	1	ICS	Nov 2013	32
<b>2. Consulting</b>					0

<b>Consultant</b>	<b>Estimated Cost (\$)</b>	<b>Estimated Number of Contracts</b>	<b>Consultant Selection Method</b>	<b>Advertisement Date</b>	<b>Contract Duration (in Person-Months)</b>
<b>Requirements</b>					
<b>International</b>					0
Monitoring and Evaluation Specialist	45,000	1	ICS	Sep 2015	3
E-Procurement Specialist	70,000	1	ICS	Sep 2015	5
<b>National</b>					0
Safeguards Specialist	13,200	1	ICS	June 2014	12
Gender Specialist 1	16,576	1	ICS	Sep 2014	12
Gender Specialist 2	8,288			Sep 2015	6
IT Specialist	13,200	1	ICS	Sep 2015	12
Procurement Specialist	5,500	1	ICS	Sep 2015	5
Construction QA Expert 1	8,400	1	ICS	Sep 2015	6
Construction QA Expert 2	8,400	1	ICS	Sep 2015	6
Construction QA Expert 3	8,400	1	ICS	Sep 2015	6
Construction QA Expert 4	8,400	1	ICS	Sep 2015	6
Construction QA Expert 5	8,400	1	ICS	Sep 2015	6
Field Inspector 1	8,782	1	ICS	May 2014	6
Field Inspector 2	8,782	1	ICS	May 2014	6
Field Inspector 3	8,782	1	ICS	May 2014	6
Field Inspector 4	8,782	1	ICS	May 2014	6
Field Inspector 5	8,782	1	ICS	May 2014	6
<b>3. Technical and Financial Performance Audits for 2012 and 2013</b>					
a. For 2012 and 2013	314,560	1	CQS <sup>b</sup>	Oct 2014	6
b. For 2014 and 2015	325,000	1	QCBS <sup>b</sup>	Oct 2014	6
<b>4. PIU Audit</b>					
a. PIU Audit FY 2013 and 2014	5,000	1	ICS	Dec 2014	1
b. PIU Audit FY 2015 and 2016	5,000	1	ICS	Nov 2015	1
<b>6. PIU Operations</b>					
Office Equipment, Office Supplies, and Office Operations	75,000		Shopping	Various	
<b>7. Training</b>	20,000		ICS/RP	Various	
<b>8. Contingency</b>	80,346				
<b>Total</b>	<b>1,440,000</b>	<b>31</b>			

CQS = consultant's qualifications selection, ICS = individual consultant selection, GAP = gender action plan, IT = information technology, M&E = monitoring and evaluation, PIC = public information campaign, PIU = program implementation unit, QA = quality assurance, RP = resource person.

<sup>a</sup> inclusive of social charges as applicable

Note: Project 2 Procurement Plan will also support all PIU activity under Project 3. If required the closing date for Project 2 will be extended.

Source: Government of Uzbekistan and Asian Development Bank staff estimates

**Table 27: Indicative List of Civil Works Packages under Project 3—2015  
(Credit Component)**

Province	Indicative Value (\$ million)	Number of Contracts	Procurement Method	Advertisement Date
Andijan	76.10	106	NCB	Jan–May 2015
Bukhara	66.26	92	NCB	Jan–May 2015
Fergana	73.15	102	NCB	Jan–May 2015
Jizzakh	49.53	69	NCB	Jan–May 2015
Karakalpakstan	46.66	65	NCB	Jan–May 2015
Kashkadarya	94.76	132	NCB	Jan–May 2015
Khorezm	62.10	87	NCB	Jan–May 2015
Navoi	53.48	75	NCB	Jan–May 2015
Namangan	60.88	85	NCB	Jan–May 2015
Samarkand	88.66	124	NCB	Jan–May 2015
Surkhandarya	69.99	98	NCB	Jan–May 2015
Sirdarya	39.48	55	NCB	Jan–May 2015
Tashkent	80.40	112	NCB	Jan–May 2015
	<b>861.46</b>	<b>1,200</b>		

80. **National Competitive Bidding.** The procedures to be followed for national competitive bidding shall be those set forth in the HIRD procurement manual, which is consistent with the *ADB Procurement Guidelines* (2015, as amended from time to time).

### 1. Eligibility

83. The eligibility of bidders shall be as defined under section I of the *ADB Procurement Guidelines* (2015, as amended from time to time); accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those stated in section I.

### 2. Prequalification

86. Normally, post-qualification shall be used unless explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.

### 3. Registration and Licensing

- (i) Bidding shall not be restricted to pre-registered/licensed firms.
- (ii) Where registration or licensing is required, bidders (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (iii) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license.

#### **4. Bidding Period**

87. For HIRD 2015, the minimum bidding period is 21 days prior to the deadline for the submission of bids.

#### **5. Bidding Documents**

88. Procuring entities should use standard bidding documents for the procurement of goods, works, and services acceptable to ADB.

#### **6. Preferences**

89. No domestic preference shall be given for domestic bidders and for domestically manufactured goods.

#### **7. Advertising**

90. Invitations to bid shall be advertised in at least two widely circulated national daily newspapers allowing a minimum of 21 days for the preparation and submission of bids.

91. Bidding of NCB contracts estimated at \$500,000 equivalent or more for goods and related services of \$2,000,000 equivalent or more for civil works shall be advertised on ADB's website via the posting of the procurement plan.

#### **8. Bid Security**

92. Where required, bid security shall be in the form of a bank guarantee from a reputable bank. The guarantee must be issued using the original bank's letterhead

#### **9. Bid Opening and Bid Evaluation**

- (i) Immediately after the date and time set for the deadline for bid submission, bids shall be opened in public. A record of bid opening shall be prepared by the contracting authority, and such record shall be distributed to all bidders.
- (ii) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.
- (iii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (iv) No bidder shall be rejected on the basis of a comparison with the contract cost estimate(s) and budget ceiling(s) set by the borrower/contracting authority without ADB's prior concurrence.
- (v) A contract shall be awarded to the technically responsive bidder that offers the lowest evaluated price, and meets the qualifying requirements. Negotiations shall not be permitted.
- (vi) Price verification shall not be applied.

#### **10. Rejection of All Bids and Rebidding**

93. Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

## **11. Participation by Government-Owned Enterprises**

94. Government-owned enterprises in Uzbekistan shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the contracting authority/executing agency/implementing agency. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

## **12. Right to Inspect/Audit**

95. A provision shall be included in all NCB works and goods contracts financed by ADB requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

## **13. Fraud and Corruption**

- (i) The borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question.
- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an ADB-financed contract.

## **14. Pre-Shipment Inspections**

96. Pre-shipment inspections, if necessary, shall be carried out by an independent reputable testing authority/surveyor in the supplier's country for reasons of sound engineering practice and economy and efficiency in Program implementation.

## **15. HIRD Procurement Manual**

97. The revised HIRD Procurement Manual (as of May 2015) will serve as guide for PIU, Tender Commissions, bid evaluation groups, and other groups directly involved in the procurement process in the conduct of bidding and evaluation of bids. The HIRD Procurement Manual may be revised from time to time in consultation with ADB.

## **16. Disclosure of Decision on Contract Awards**

98. At the same time that notification on award of contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper identifying the bid and lot numbers and providing information on (i) name of each bidder who submitted a bid, (ii) bid prices as read out at bid opening; (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning bidder, and the price it offered, as well as duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

## **D. Consultants' Terms of Reference**

99. Six basic principles apply on the use of consultants: (i) consulting services should be of high quality, (ii) engagements should be economical and efficient, (iii) all qualified consultants should have the opportunity to compete for assignments, (iv) ADB develops and uses consultants from its developing member countries, (v) the selection process should be transparent and should not involve a conflict of interest, and (vi) good governance and ethical behavior are especially important.

100. Detailed terms of reference will be developed by the PIU and agreed to by ADB and PIU prior to advertising. Consultants' evaluation sheet and consulting contract template are in Attachments 3a and 3b.

## **VII. SAFEGUARDS**

101. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All PCBs will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB. Each Project under the MFF will be categorized as FI (treated as C) for all safeguard components based on ADB's Safeguard Policy Statement (SPS), 2009. Each PCB has in place an ESMS to be maintained as part of its overall management system to meet Uzbekistan national laws and norms and ADB's SPS. Each PCB that receives proceeds of a subsidiary loan under the Program is required to submit to ADB: (i) a copy of its ESMS to be used in implementing this loan for ADB approval prior to submitting its first withdrawal application; and (ii) an annual report on its compliance with its ESMS.

102. Each PCB shall designate a unit to be responsible for implementation of its ESMS. Within each unit designated for implementation of an ESMS, an ESMS Specialist will be appointed to coordinate ESMS implementation, including monitoring and reporting activities under the ESMS. Each ESMS Specialist will work with the PIU to ensure that a file is maintained of all relevant site and environmental documentation and permits related to HIRD housing sites and that regular field monitoring is conducted.

103. Prior to preparation of each PFR, the applicability and relevance of each requirement of the SPS<sup>32</sup> shall be reviewed by each of the PCBs that will be receiving proceeds of the related ADB loan. Each PCB, in close coordination with ADB and the PIU, will conduct workshops for their staff who will be involved on the operations of the ESMS. The workshops will include discussions on how to review and assess the ESMS. The ESMS will cover: (i) site selection, (ii) approval of the release of the five construction progress payments from the mortgage loans, and (iii) monitoring and supervision of works financed. ESMS reports will be prepared on a semiannual basis.

104. Program activities will not be carried out in disputed areas,<sup>33</sup> and Program funds will not finance any subprojects involving involuntary resettlement or which have an adverse impact on

<sup>32</sup> See <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>. A Russian translation is also available. <http://www.adb.org/Documents/Translations/Russian/Safeguard-Policy-Statement-June2009-ru.pdf>.

<sup>33</sup> Disputed areas are geographic areas that are claimed by more than one country.

indigenous peoples.<sup>34</sup> Compliance with the requirements of the provincial or regional Nature Protection Committee and with ADB rules and existing governmental norms on environment, labor, and safety shall be monitored during the execution of each subproject. ADB's prohibited investment activity list will apply and will be appended to each Loan Agreement.

105. Each subloan to be provided under the Facility must comply with the following criteria:

- a) the site of the house plot must be on land approved by the District *Hokimiyat* for residential use;
- b) the site of the house plot must be on land that was classified as reserved land by the local government or administered by state agencies not later than:
  - (i) 31 December 2009 for Project 1;
  - (ii) 31 December 2010 for Project 2 subloans disbursed in 2013;
  - (iii) 31 December 2011 for Project 2 subloans disbursed in 2014; and
  - (iv) 31 December 2012 for Project 3.<sup>35</sup>
- c) the activities financed under the mortgage will not cause involuntary resettlement or have an adverse effect on indigenous people, including any adverse effect on any third-party land user of site where the house plot is located; and
- d) the site of the house plot must not be situated in or near an area that has been classified as an environmentally sensitive area by the Regional Nature Protection Committee (*Oblkompiroda*) or the Geological and Hydrogeological Institute; and the site must have an environmental clearance from the Regional Nature Protection Committee.

106. If any major noncompliance or weakness in the implementation of an ESMS is identified, the relevant PCB is required to promptly propose to ADB for its review and approval corrective measures to be undertaken. The recommendations should be agreed with ADB before they are implemented.

107. Attachment 4a contains the ESMS template for use by QQB and NBU. The PIU, in close coordination with ADB, will (i) quality assure each ESMS as adopted by each PCB to ensure compliance with ADB safeguard requirements and (ii) maintain copies of the ESMS adopted by each PCB. QQI (or other approved construction supervisor) will work closely with the District Nature Protection Committee during construction of the houses to monitor implementation of Government and ADB environmental, health, labor, and safety requirements.

108. **Grievance redress mechanism.** Each PCB will work closely with the PIU to establish, before any HIRD mortgage disbursements, an HIRD grievance redress mechanism acceptable to ADB to enable people who are, or may in the future be, adversely affected by the Program to submit complaints. Any complaints received by MOE and/or PCBs must be resolved promptly by the respective. A summary of the complaints received and status of resolution will be compiled by the PIU and included in the semiannual HIRD Performance Reports submitted to ADB.

<sup>34</sup> For an explanation of Indigenous Peoples, see ADB. 1998. *The Bank's Policy on Indigenous Peoples*. Manila <http://www.adb.org/documents/policy-indigenous-peoples>

<sup>35</sup> Tranches 2 and 3 as contemplated in the RRP were consolidated into tranche 2. Accordingly, tranche 3 here refers to the tranche originally contemplated as tranche 4.

## **VIII. GENDER AND SOCIAL DIMENSIONS**

109. The PIU and the PCBs will monitor the gender and social dimensions of the program in accordance with the updated summary poverty reduction and social strategy (SPRSS) report (Appendix 5 to the PFRR for Project 3) and the gender action plan (GAP). The PIU and the PCBs are responsible for the implementation and monitoring of the gender action plan for the Project 1 GAP (Table 28), the Project 2 GAP (Table 29), and the Project 3 GAP (Table 30), as well as consultation and monitoring of labor, HIV/AIDS, and other social risks.

**Table 28: Housing for Integrated Rural Development Investment Program—Project 1**  
**GENDER ACTION PLAN**

Objective	Activity	Indicator	Target Group	Responsibility
<b>Overall Coordination and GAP Implementation</b>				
Improve planning and implementation of EGM activities and increase gender analysis skills of partner government agencies and PCBs	a. Recruit Gender Specialist b. Identify gender focal points for each partner agency and form GAD working group c. Finalize GAP <sup>1</sup> in coordination with relevant partner agencies and PCBs d. Conduct gender awareness training for relevant partner agencies and PCBs	(i) Gender Specialist recruited for 2 months (ii) GAD working group formed and quarterly meetings held (iii) GAP finalized and initiated (iv) 2 gender training modules developed and 10 training courses (5 offerings of each of 2 modules) conducted [number of participating agencies/PCBs, number of trainees]	Relevant staff of program partner agencies (including PCBs)	GAD working group and GAP agency/PCB focal points in close coordination with URM Gender Specialist
<b>Output 1: Rural Housing Loans</b>				
1. Improve equitable gender representation in the selection process	a. Set quota for women target groups b. Develop/improve PCB's existing sex-disaggregated database and reporting system	(i) Sex-disaggregated RHS mortgage applications (ii) Sex-disaggregated database on borrowers/co-borrowers implemented (iii) Sex-disaggregated RHS performance reports prepared and issued	District Selection Committees (including <i>Mahalla</i> , NWC District Representatives)	PCB Gender Specialists and PCB RHS Staff
2. Identify and inform women target groups for housing finance	a. Identify women's target groups eligible for housing loans based on the selection criteria and score/points system agreed with MOE, PCB, NWC, and <i>Mahalla</i> <sup>2</sup> b. Conduct	(i) Number and types of outreach activities conducted in the rural communities	Women target groups	MOE, District <i>Hokimiyats</i> , <i>Mahallas</i> , NWC District Representatives, PCB Staff

	outreach/information dissemination activities in <i>Mahallas</i> .			
3. Improve/protect women's property/land ownership rights	c. Promote gender-sensitive credit appraisal, loan signing, and property/land registration <sup>3</sup>	(ii) Number of co-signed mortgage applications, mortgage agreements, and joint certification of property/land registration	Lawyers (PCBs, Developers, representatives from Lawyer's Association), Women target Groups	PCBs, District <i>Hokimiyats</i> /Land Registration Offices
<b>Output 2: Improved Capacity of Local Governments</b>				
1. Improve gender awareness in integrated rural development planning processes	a. Enhance gender awareness in MOE/MOL <i>hokimiyat</i> training programs for integrated rural development planning b. Using gender-enhanced training curriculums, deliver training on integrated rural development planning and investment promotion strategies	(i) Number of training programs gender-awareness enhanced (ii) At least 30% of <i>hokimiyat</i> staff trained on integrated rural development planning and investment promotion strategies are women	<i>Hokimiyat</i> planning staff	MOE/MOL or other relevant training institute trainers
<b>Output 3: Improved Enabling Environment for MSEs</b>				
1. Improve access of women to MSE livelihood opportunities and MSE finance	a. Conduct rapid needs assessment of entrepreneurial/employment profiles of RHS women borrowers, co-borrowers and household members <sup>4</sup> and prepare profile case studies b. Identify and disseminate information on business and job opportunities for women in the project areas <sup>5</sup> c. Conduct business training modules for RHS women beneficiaries/entrepreneur <sup>6</sup>	(i) Needs Assessment Report with at least 1 Case Study per province/region (ii) Number of information dissemination and/or training program/s on gender-relevant business and job opportunities undertaken annually (iii) Number of women MSE entrepreneurs participating in business and job opportunity training	Women borrowers (or co-borrowers) and women household members	MOL, PCB Gender Specialists, NWC District Representatives, <i>Mahallas</i> , Provincial Chambers of Commerce, BWA, and other relevant NGOs

		sessions annually (iv) Number of MSE business plans prepared/registered by women annually (v) Number of new MSEs registered by women annually		
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<sup>1</sup> ADB URM Gender Specialist will provide initial guidance

<sup>2</sup> The selection criteria will be elaborated further in close consultation with QQB, NWC, and BWA

<sup>3</sup> To improve gender equality in cases of divorce/family separation, as well as women's access to MSE finance

<sup>4</sup> Needs assessment may be undertaken by NWC/NGO. Home purchase and loan applications will be used to collect baseline information.

<sup>5</sup> A potential counterpart for information dissemination is the "Hunarmand"/Handicraftsmen Association

<sup>6</sup> In accordance with activities under the MOL employment generation program and the NWC National Action Plan

BWA = Business Women's Association; MOE = Ministry of Economy; EGM = Effective Gender Mainstreaming; GAD = Gender and Development; GAP = Gender Action Plan; Mahalla = local community-based organization (CBO); PCB = participating commercial bank; QQB = Qishloq Quirilish Bank; RHS = Rural Housing Scheme; TA = technical assistance; URM = Uzbekistan Resident Mission

Source: Asian Development Bank.

**Table 29: Housing for Integrated Rural Development Investment Program—Project 2  
GENDER ACTION PLAN**

Activity	Target Indicator	Responsibility and Resources
<b>Outcome: Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women</b>		
1. Increasing access to housing financing for rural women	<ul style="list-style-type: none"> <li>At least 30% (6,000) of targeted 20,000 new housing loans provided to women</li> <li>Number of HIRD applications from rural women increased by at least 20% (1,000) annually on average</li> <li>Number of approved HIRD loans for rural women increased by at least 20% (400) annually on average</li> <li>At least 2,000 girls attend school in HIRD-supported new or rehabilitated classrooms</li> </ul>	PIU PIU Budget
<b>Output 1: Housing loans provided by PCBs to targeted creditworthy sub-borrowers in rural areas</b>		
1. Improve gender sensitization of HIRD social messages and HIRD public information campaign	<ul style="list-style-type: none"> <li>30% of HIRD social messages focused on raising gender awareness, include gender sensitive topics and addressing gender issues such as the need for increasing women's housing ownership, the need for joint housing titles, the importance of both women and men to know the eligibility and process of HIRD.</li> </ul>	PIU Gender Specialist PIU
2. Increase gender outreach of HIRD public information campaign by: <ol style="list-style-type: none"> <li>Consulting with regional women's committees</li> <li>Linking with teacher associations</li> <li>Linking with healthcare professional associations</li> </ol>	<ul style="list-style-type: none"> <li>HIRD consultations with women's committees held in 13 regions, and at least 3 districts in each region</li> <li>HIRD public information packages sent to regional teachers and healthcare professional associations in 13 regions</li> </ul>	PIU Gender Specialist Information packages from PIU budget
3. Assess and improve gender sensitization of HIRD applications and social scoring framework	<ul style="list-style-type: none"> <li>At least 25% of HIRD scoring parameters gender-focused</li> <li>Increased cosigning of HIRD loans by spouses and joint registration of property titles.</li> <li>An action plan developed and implemented to assess and address legal and regulatory constraints to joint land registration.</li> </ul>	PIU Gender Specialist
4. Assess and improve gender sensitization of HIRD credit evaluation processes by: <ol style="list-style-type: none"> <li>Strengthening gender sensitization of PCB customer service and credit training</li> <li>Strengthening gender sensitization of PCB credit evaluation processes</li> </ol>	<ul style="list-style-type: none"> <li>Gender-sensitized PCB customer service and credit training curriculums</li> <li>Sex-disaggregated PCB training reports</li> <li>Sex-disaggregated PCB credit appraisal performance reports</li> </ul>	PIU Gender Specialist PIU/PCBs
5. Assess and improve sex-disaggregation of HIRD beneficiary database and impact assessment	<ul style="list-style-type: none"> <li>HIRD beneficiary database with sex-disaggregated data on income, profession, quality of housing, creditworthiness</li> <li>HIRD gender-focused impact assessment</li> </ul>	PIU Statistician PIU Gender Specialist
<b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b>		
1. Develop gender sensitized and sex-disaggregated results-based reporting formats for parallel government	<ul style="list-style-type: none"> <li>Sex-disaggregated training reports</li> </ul>	PIU/Regional Academic and Training Institutes

Activity	Target Indicator	Responsibility and Resources
rural skills and capacity building programs		
2. Incorporate gender issues in curriculum for integrated rural development planning and investment promotion	<ul style="list-style-type: none"> <li>Gender-sensitized curriculums</li> <li>Sex-disaggregated training reports</li> </ul>	PIU/Academy for Public Administration
3. Incorporate gender issues in regional and district templates for integrated rural development planning and investment promotion	<ul style="list-style-type: none"> <li>Gender-sensitized regional and district planning and reporting templates</li> </ul>	PIU/Academy for Public Administration
<b>Output 3: Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas</b>	<ul style="list-style-type: none"> <li>Survey undertaken to establish quantitative baseline of number and percentage of female property ownership and women micro and small enterprises.</li> <li>At least 30% (3,000) of 10,000 new MSEs established in rural areas are owned by women.</li> <li>At least 650 women will receive MSE or microloans.</li> </ul>	PIU Gender Specialist/ Chamber of Commerce
1. Identify, assess, and develop plan of action to address specific challenges faced by rural women entrepreneurs in establishing new or expanding business enterprises	<ul style="list-style-type: none"> <li>Gender-sensitized action plan developed and adopted for improving enabling environment for rural entrepreneurs</li> </ul>	PIU/Chamber of Commerce
2. Gender sensitize online new business registration process	<ul style="list-style-type: none"> <li>Gender-sensitized action plan developed and adopted for piloting of online new business registration process</li> <li>At least 25% of new online new business registrations by women</li> </ul>	PIU/Chamber of Commerce
3. Gender sensitize online property registration process linked to collateral registry and credit information bureau	<ul style="list-style-type: none"> <li>Gender-sensitized action plan developed and adopted for piloting of online property registration process</li> <li>At least 25% of new online property registrations by women property owners</li> <li>Deeds of ownership for HIRD houses co-signed by spouses</li> </ul>	PIU/Land Registration Offices
<b>Results based performance monitoring, evaluation, and reporting</b>		
Assess and improve gender focus of HIRD results-based performance monitoring, evaluation, and reporting frameworks	<ul style="list-style-type: none"> <li>Gender-focused monitoring, evaluation and reporting on:               <ol style="list-style-type: none"> <li>HIRD Public Information Campaign</li> <li>HIRD Beneficiary Selection Process</li> <li>HIRD House Designs and Community Plans</li> <li>HIRD Capacity Building and Training Activities</li> </ol> </li> </ul>	PIU Gender specialist

**Table 30: Housing for Integrated Rural Development Investment Program—Project 3  
GENDER ACTION PLAN**

Activity	Target Indicator	Responsibility and Resources
<b>Outcome: Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women</b>		
2. Increasing access to housing financing for rural women	<ul style="list-style-type: none"> <li>At least 30% (2,355) of targeted 7,851 new housing loans provided to women</li> <li>Number of approved HIRD loans for rural women increased by at least 20% (by 454) from 2014 to 2015</li> </ul>	PIU, PCBs
<b>Output 1: Housing loans provided by PCBs to targeted creditworthy sub-borrowers in rural areas</b>		
6. Improve gender sensitization of PCBs, HIRD social messages, and HIRD public information campaign	<ul style="list-style-type: none"> <li>Adoption by board of directors of each PCB of a gender policy</li> <li>At least 2,000 HIRD social messages focused on raising gender awareness, including gender sensitive topics and addressing gender issues such as the need for increasing women's housing ownership and the importance of both women and men knowing the eligibility requirements for HIRD and the HIRD application process</li> </ul>	PCBs, PIU Gender Specialist (social messages to be financed by PCBs)
7. Increase gender outreach of HIRD public information campaign by consulting with regional women's committees and Business Women's Association	<ul style="list-style-type: none"> <li>HIRD consultations with women's committees held in 13 regions, with representation from at least 6 districts in each region</li> <li>HIRD public information packages sent to regional teachers and healthcare professional associations in 13 regions</li> </ul>	PIU Gender Specialist  PIU and PCBs (PCBs' budget)
8. Assess regional differences in percentages of women applicants and develop recommendations for reducing regional disparities	<ul style="list-style-type: none"> <li>Report containing action plan for reducing regional disparities completed by 31 December 2015</li> </ul>	PIU Gender Specialist, PCBs PIU Budget
9. Monitor gender sensitization of HIRD credit evaluation processes	<ul style="list-style-type: none"> <li>Sex-disaggregated PCB training reports</li> <li>Sex-disaggregated PCB credit appraisal performance reports</li> </ul>	PCBs
10. Obtain and assess sex-disaggregated data on performance of PCBs' HIRD loan portfolios	<ul style="list-style-type: none"> <li>Report prepared by each PCB</li> </ul>	PCBs, PIU Gender Specialist

Activity	Target Indicator	Responsibility and Resources
11. Register houses in the names of both spouses	<ul style="list-style-type: none"> <li>100% of HIRD houses registered in the names of both spouses, starting in 2016</li> </ul>	PCBs, Local Governments, Cadastral Authorities
<b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b>	<ul style="list-style-type: none"> <li>At least 30% (2,400) of 8,000 local government staff trained in integrated rural development plans and/or HIRD processes are women.</li> </ul>	PIU/Regional Academic and Training Institutes
4. Develop gender sensitized and sex-disaggregated results-based reporting formats for parallel government rural skills and capacity building programs	<ul style="list-style-type: none"> <li>Sex-disaggregated training reports</li> </ul>	PIU/Regional Academic and Training Institutes
5. Incorporate gender issues in curriculum for integrated rural development planning and investment promotion for towns	<ul style="list-style-type: none"> <li>Gender-sensitized curriculum</li> <li>Sex-disaggregated training reports</li> </ul>	PIU/Academy for Public Administration
<b>Output 3: Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas</b>	<ul style="list-style-type: none"> <li>Survey undertaken to establish quantitative baseline of number and percentage of female property ownership and women micro and small enterprises.</li> <li>At least 30% (3,000) of 10,000 new MSEs established in - rural areas are owned by women.</li> <li>At least 450 women living in HIRD houses will receive MSME or microloans.</li> </ul>	PIU Gender Specialist/ Chamber of Commerce/Central Bank of Uzbekistan
<b>Results based performance monitoring, evaluation, and reporting</b>		
Assess and improve gender focus of HIRD results-based performance monitoring, evaluation, and reporting frameworks	<ul style="list-style-type: none"> <li>Gender-focused monitoring, evaluation and reporting on:               <ul style="list-style-type: none"> <li>v. HIRD Public Information Campaign</li> <li>vi. HIRD Beneficiary Selection Process</li> <li>vii. HIRD Capacity Building and Training Activities</li> </ul> </li> </ul>	PIU Gender Specialist

HIRD = Housing for Integrated Rural Development; MSEs = micro and small enterprises; PCB = participating commercial bank; PIU = program implementation unit.

Note: "Gender-sensitized" means showing awareness of women's and men's differential roles and the relations between them in society; taking into account women's needs, priorities, and responsibilities and the factors that often exclude women from participation and benefits; ensuring that program initiatives and activities are inclusive of women and are organized at times, in places, and in ways which make them accessible to women; and awareness of particular factors such as cultural perceptions of women's roles, female-headed households, and female-dominated occupations (e.g., teachers, health workers).

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Program, Project 1, Project 2, and Project 3 Design and Monitoring Frameworks

110. The design and monitoring frameworks (DMFs) for the investment program, Project 1, Project 2, and Project 3 are in Tables 31, 32, 33, and 34, respectively.

**Table 31: Design and Monitoring Framework—Program**

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b> Rural communities have improved living standards	<p>Average rural household formal income increases from SUM373,650<sup>36</sup> in 2010 to at least SUM816,769<sup>37</sup> in 2015</p> <p>At least 75,000 rural construction jobs created annually from 2011 to 2015</p> <p>At least 450,000 rural MSE and home-based jobs created annually from 2010 to 2015</p> <p>At least 40,800 RHS rural houses constructed with access to improved utilities by 2015, from 7,647 in 2010 to 48,447 in 2015</p> <p>At least 177 new/rehabilitated schools near RHS housing sites from 2011 to 2015</p> <p>At least 140 new/rehabilitated rural health clinics near RHS housing sites from 2011 to 2015</p>	Specialized Program reports submitted by EA to ADB (with annual updates of funds allocated for Program and Program outcomes achieved)	<p><b>Assumptions</b>  Macroeconomic stability and growth continues on a similar trajectory</p> <p>Government implements MFF road map actions and reforms on a timely basis</p> <p><b>Risks</b>  Rural to urban migration continues due to exogenous factors</p>
<b>Outcome</b> Improved rural housing for targeted beneficiaries	At least 95% of 40,800 new rural modern homes under the RHS with access to basic utilities owned and occupied by “targeted” beneficiaries (moderate to low-income households, young families, single-headed households, rural teachers and health workers) (of which 30% are women)	Specialized Program reports submitted by EA to ADB	<p><b>Assumptions</b>  Demand for rural housing under RHS by targeted beneficiaries</p>
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas  2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies	<p>At least 39,000 with a value of at least SUM2.4 trillion of housing loans provided to targeted beneficiaries, of which 30% are women</p> <p>At least 65,000 staff of local governments trained in integrated rural development planning and investment promotion strategies (sex-disaggregated)</p>	<p>Reports submitted by PCBs to ADB</p> <p>Specialized Program reports submitted by EA to ADB</p>	<p><b>Assumptions</b>  Continuing creditworthiness of the subborrowers over the life of the housing loans</p> <p>PCBs are interested in increasing housing loan portfolio in rural areas</p> <p><b>Risks</b>  Inflation increases construction costs</p>

<sup>42</sup> Source: Ministry of Finance.

<sup>43</sup> Assumes an annual increase in income of at least: 20% in 2011, 2012, and 2013; 15% in 2014; and 10% in 2015.

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas	Total microcredit lending in rural areas increases from SUM485 billion in 2010 to SUM1,361 billion in 2015 Number of newly established MSEs in Program areas (disaggregated by sex of owner) (baseline to be established)  Number (and list) of new or revised policies, regulations, and laws adopted (baseline to be established)	Specialized Program reports submitted by EA to ADB (with annual updates of funds allocated for MSE development and MSE outcomes achieved)	
Activities with Milestones		Inputs	
1.1 Government adopts a new gender-sensitive process for identifying, prioritizing and selecting creditworthy targeted beneficiaries (moderate to low-income rural households, and teachers and healthcare professionals) to receive subloans (September 2011) and QQB initiates the broad public awareness campaign to solicit applications for subloans to be disbursed in 2012 (initiate in September 2011).		ADB \$500.0 million	
1.2 Government amends RHS contractor selection in accordance with ADB <i>Procurement Guidelines</i> (2013, as amended from time to time) and adopts amended process for selection of 2012 contractors (September 2011).		PCBs \$535.4 million	
1.3 District <i>hokimiyats</i> , in coordination with relevant agencies, identify, select and approve land sites for 2012 (August/September 2011), and identify, prioritize, and recommend eligible 2012 subborrowers (September to November 2011).		Subborrowers \$834.0 million	
1.4 Provincial <i>hokimiyats</i> undertakes open competitive selection of contractors for 2012 (August to November 2011).		Government of Uzbekistan \$797.9 million	
1.5 QQB assesses eligible 2012 subborrowers for creditworthiness and approves 10,300 subloans for 2012 (October to December 2011).		Private Sector <u>\$386.0 million</u>	
1.6 ADB conducts due diligence of (a) the selection of 2012 housing sites in accordance with ADB safeguard requirements, (b) the selection process for 2012 subborrowers, and (c) the selection process of 2012 contractors (November to December 2011).		Total \$3,053.3 billion	
1.7 ADB provides an advance of approximately \$150 million, based on the cashflow projection for six months, to Uzbekistan under Tranche 1 (September – October 2011).			
1.8 MOF provides a loan to QQB in the amount of the local currency equivalent of \$199.6 million (with a first drawdown of \$150 million based on the cashflow projection for six months) under a subsidiary loan agreement (September – October 2011).			
1.9 MOE (PIU), in close coordination with ADB, develops and adopts implementation plans for: a. Capacity development (March 2012) b. GAP (March 2012) c. Integrated and results-based monitoring, evaluation and quarterly reporting framework (for MFF road map, Capacity Development, GAP (first Program progress report January 2012).			
1.10 QQB disburses loans totaling SUM570.0 billion (\$335.0 million) to eligible subborrowers (January–June 2012).			
1.11 MOE (PIU), in coordination with ADB, undertakes the first technical and financial performance audit of RHS to evaluate transparency and accountability of amended processes (beneficiary selection, pricing, contractor selection, construction quality assurance) adopted for implementation of 2012, and evaluates value for money and construction quality of RHS houses built in 2009, 2010, and 2011 (initiate in November and completed by end February 2012).			
1.12 ADB and the government agree on the size of Tranche 2 (April 2012).			
1.13 ADB conducts due diligence assessment of commercial banks that express interest in participating in Tranche 2 (May 2012).			
1.14 ADB processes and approves Tranche 2 (December 2012).			

Activities with Milestones	Inputs
<p>1.15 MOF provides loans to PCBs in the aggregate amount of the local currency equivalent of the amount of Tranche 2 under subsidiary loan agreements (December 2012).</p> <p>1.16 PCBs disburse loans totaling SUM 467.0 billion (\$274.5 million) to eligible subborrowers (January–June 2013).</p> <p>1.17 Tranches 3 and 4 are prepared and disbursed in accordance with the same procedures as for Tranche 2, January–June 2014 for Tranche 3, and January–June 2015 for Tranche 4.</p> <p>2.1 MOE (PIU), in close coordination with ADB, develops and adopts an implementation plan for HIRD training activities to improve capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies (March 2012).</p> <p>2.2 Develop training programs for <i>hokimiyats</i>.</p> <p>2.3 MOE (PIU) submits semi-annual reports on HIRD local government training programs (first report March 2012).</p> <p>3.1. MOE (PIU), in close consultation with ADB and key stakeholders, assesses main constraints to “rural” MSEs and develops a Program strategy and time-bound action plan for strengthening the “rural” MSE enabling environment. (March 2012).</p> <p>3.2. MOE (PIU) submits semi-annual reports on Program MSE activities (first report March 2012).</p>	

ADB = Asian Development Bank, EA = executing agency, GAP = gender action plan, HIRD = Housing for Rural Integrated Development, MFF = multitranche financing facility, MOE = Ministry of Economy, MOF = Ministry of Finance, MSE = micro and small-sized enterprise, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, RHS = Rural Housing Scheme.

**Table 32: Design and Monitoring Framework—Project 1**

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b> Improved rural housing for targeted beneficiaries	At least 95% of 40,800 new rural modern homes under the RHS with access to basic utilities owned and occupied by “targeted” beneficiaries (moderate to low-income households, young families, single-headed households, rural teachers and health workers) (of which 30% are women)	Specialized Program reports submitted by EA to ADB	<b>Assumptions</b> Government implements RHS and related programs to promote rural development on a timely basis
<b>Outcome</b> Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women	<p>Adoption of defined beneficiary selection criteria, and improved public awareness campaign, grievance process, and monitoring framework.</p> <p>Increased demand by targeted beneficiaries for housing loans under the scheme from 10,000 applicants per year in 2009, to 12,000 in 2011, and to 15,000 applicants in 2012 (gender disaggregated)</p>	<p>Government resolution</p> <p>QQB reports</p>	<b>Assumptions</b> Government provides sufficient financing to implement RHS and related programs. <p><b>Risks</b></p> <p>Ineffective intergovernmental coordination</p> <p>Demand by creditworthy targeted beneficiaries significantly exceeds supply.</p> <p>Increase in construction costs</p> <p>Nationwide implementation of RHS and procurement at local government level makes monitoring challenging</p>
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas  2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies  3. Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas	<p>At least 10,300 housing loans valued at SUM570 billion provided to targeted beneficiaries, of which 30% are women</p> <p>At least 10,000 staff of local governments trained in integrated rural development planning and investment promotion strategies, (sex-disaggregated)</p> <p>Total microcredit lending in rural areas increases from SUM485 billion in 2010 to SUM835 billion in 2012</p> <p>Number of newly established MSEs in Program areas (disaggregated by sex of owner) (baseline to be established)</p> <p>Number (and list) of new or revised policies, regulations, and laws adopted</p>	<p>Reports submitted by PCBs to ADB</p> <p>Specialized Program reports submitted by EA to ADB</p> <p>Specialized Program reports submitted by EA to ADB (with annual updates of funds allocated for MSE development and MSE outcomes achieved)</p>	<b>Assumptions</b> Continuing creditworthiness of the subborrowers over the life of the housing loans <p>PCBs are interested in increasing housing loan portfolio in rural areas</p> <p><b>Risks</b></p> <p>Inflation increases construction costs</p> <p>Weak absorptive capacity.</p>

Activities with Milestones	Inputs
<p>1.1 Government adopts a new gender-sensitive process for identifying, prioritizing and selecting creditworthy targeted beneficiaries (moderate to low-income rural households, and teachers and healthcare professionals) to receive subloans (September 2011) and QQB initiates the broad public awareness campaign to solicit applications for subloans to be disbursed in 2012 (initiate in September 2011).</p> <p>1.2 Government amends RHS contractor selection in accordance with ADB <i>Procurement Guidelines</i> (2013, as amended from time to time) and adopts amended process for selection of 2012 contractors (September 2011).</p> <p>1.3 District <i>hokimiyats</i>, in coordination with relevant agencies, identify, select and approve land sites for 2012 (August/September 2011), and identify, prioritize, and recommend eligible 2012 subborrowers (September to November 2011).</p> <p>1.4 Provincial <i>hokimiyats</i> undertakes open competitive selection of contractors for 2012 (August to November 2011)</p> <p>1.5 QQB assesses eligible 2012 subborrowers for creditworthiness and approves 10,300 subloans for 2012 (October to December 2011)</p> <p>1.6 ADB conducts due diligence of (a) the selection of 2012 housing sites in accordance with ADB safeguard requirements, (b) the selection process for 2012 subborrowers, and (c) the selection process of 2012 contractors (November to December 2011).</p> <p>1.7 ADB provides an advance of approximately \$150 million, based on the cashflow projection for six months, to Uzbekistan under Tranche 1 (September - October 2011).</p> <p>1.8 MOF provides a loan to QQB in the amount of the local currency equivalent of \$199.6 million (with a first drawdown of \$150 million based on the cashflow projection for six months) under a subsidiary loan agreement (September – October 2011).</p> <p>1.9 MOE (PIU), in close coordination with ADB, develops and adopts implementation plans for:</p> <ul style="list-style-type: none"> <li>a. Capacity development (March 2012)</li> <li>b. GAP (March 2012)</li> <li>c. Integrated and results-based monitoring, evaluation and quarterly reporting framework (for MFF road map, Capacity Development, GAP (first Program progress report January 2012).</li> </ul> <p>1.10 QQB disburses loans totaling SUM 570.0 billion (\$335.0 million) to eligible subborrowers (January–June 2012).</p> <p>1.11 MOE (PIU), in coordination with ADB, undertakes the first technical and financial performance audit of RHS to evaluate transparency and accountability of amended processes (beneficiary selection, pricing, contractor selection, construction quality assurance) adopted for implementation of 2012, and evaluates value for money and construction quality of RHS houses built in 2009, 2010, and 2011 (initiate in November and completed by end February 2012).</p> <p>2.1 MOE (PIU), in close coordination with ADB, develops and adopts an implementation plan for HIRD training activities to improve <i>hokimiyat</i> capacity to prepare and implement integrated rural development plans and investment promotion strategies (March 2012)</p> <p>2.2 MOE (PIU) develops training programs for <i>hokimiyats</i> ( March 2012)</p> <p>3.1 MOE (PIU) in consultation with ADB and key stakeholders, assesses main constraints to “rural” MSEs and develops a strategy and time-bound action plan for strengthening the “rural” MSE enabling environment. (March 2012).</p> <p>3.2 MOE (PIU) submits semi-annual reports on Program MSE activities (first report March 2012).</p>	<p><b>ADB</b> \$200.0 million</p> <p><b>PCBs</b> \$135.7 million</p> <p><b>Subborrowers</b> \$188.5 million</p> <p><b>Government of Uzbekistan</b> \$91.8 million</p> <p><b>Private Sector</b> \$98.6 million</p> <hr/> <p><b>Total</b> \$714.6 million</p>

ADB = Asian Development Bank, EA = executing agency, FFA = framework financing agreement, GAP = gender action plan, HIRD = Housing for Rural Integrated Development, MFF = multitranches financing facility, MOE = Ministry of Economy, MOF = Ministry of Finance, MSE = micro and small-sized enterprise, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, RHS = Rural Housing Scheme.

**Table 33: Design and Monitoring Framework—Project 2**

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b> Improved rural housing for targeted beneficiaries	At least 95% of 19,380 new rural modern homes under the RHS with access to with plots, electricity, water, sewage, roads, and related social and commercial services owned and occupied by “targeted” beneficiaries (moderate- to low-income households, young families, single-headed households, rural teachers and health workers) by end-2016 (of which 30% are women)	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU)	<b>Assumption</b> Government implements HIRD, road map and related programs to promote rural development on a timely basis
<b>Outcome</b> Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women	Use of defined beneficiary selection criteria, public awareness campaign, social prioritization of applicants, one year post-construction warranty, grievance process, and monitoring framework in 2013 and 2014.  At least 60,000 applicants of which at least 22,000 targeted beneficiaries processed during 2013 and 2014 for housing loans under the scheme.	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs	<b>Risks</b> Poor coordination between various parts of government affects timely delivery of houses  General wage increases outpaced by market prices of construction materials
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas  2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies  3. Improved enabling environment for entrepreneurs and MSEs to establish or expand new businesses in rural areas	At least 19,380 housing loans valued at provided to targeted beneficiaries, of which 30% are women, in 2013 and 2014  At least 27,500 local government staff, of which at least 30% women, trained in 2013–2014 in HIRD processes and participative development of integrated rural development planning and investment promotion strategies  Number of implemented integrated district community development plans with targeted growth improvements increased from 0 at end-2012 to 160 by end-2014  Total microcredit lending in rural areas increased from SUM835 billion in 2012 to SUM1,202 billion in 2014, with at least 500 new microloans and 1,500 MSME loans for HIRD homebuyers; at least 600 of microloans and MSME loans to women  At least 10,000 new MSMEs, of which at least 30% are women, established in rural areas in 2013–2014; at least 1,500 SMEs created by HIRD homebuyers  Online business registration processes piloted with at least 25,000 business registrations (new and existing), of which at least 30% are women, uploaded in 2013–2014	Specialized project reports (with summary data from surveys and database tracking multimedia outputs) prepared by EA (PIU)  Specialized project reports (with sex-disaggregated results) prepared by EA (PIU)  District government publications  Central Bank of Uzbekistan reports  Ministry of Economy reports  Online business registration report	<b>Assumptions</b> Microfinance lending capacity high in project areas  Local government development plans facilitate land development for new houses, and better options for new businesses and social services in housing clusters

Activities with Milestones	Inputs
<b>Output 1: Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas</b>	
1.1. The Government (State Committee of Architecture and Construction and technical agencies) identifies, selects, and approves land sites for HIRD 2014 by November 2013 which adheres to ADB's SPS.	ADB: \$200.00 million
1.2. The Government (national government, local government and service delivery agencies) plans and constructs the relevant infrastructure required for the house at housing sites for HIRD 2014 by April 2014 which adheres to ADB's SPS.	PCBs: \$711.94 million
1.3. The Government (PIU), in coordination with PCBs undertakes a gender sensitive public information campaign for HIRD 2014 from October 2013 to March 2014.	Subborrowers: \$592.06 million
1.4. PCBs (with support from the PIU for targeting) solicit housing loan applications, process selected applicants for creditworthiness, eligibility, and targeting, and selects homebuyers for subborrowers for HIRD 2013 by October 2013 and for HIRD 2014 by March 2014.	Government of Uzbekistan: \$110.65 million
1.5. Subborrowers pay 25% down payment to PCBs and select their home model for HIRD 2014 by March 2014.	Private Sector: \$150.00 million
1.6. The Government, in consultation with community and women's groups, develops and offers new, different housing options to lower-income rural households starting with HIRD 2014 by March 2014 for selection by subborrowers pre-approved for mortgages.	
1.7. The Government ( <i>hokimiyats</i> with technical guidance of TCC) undertakes open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2014 from November 2013 to February 2014.	
1.8. The Government (QQI, QQL and Regional Design Institutes, and SCAC, with close oversight by PIU) undertakes a pre-defined HIRD inspection program that includes an inspection prior to each of the five performance payments and handover which subborrowers may also confirm, and submits an annual report on findings and recommendations to ADB on HIRD 2103 by May 2014, and for HIRD 2014 by April 2015.	
1.9. The Government hands-over the completed houses to the subborrowers for HIRD 2013 by March 2014 and HIRD 2014 by March 2015.	
1.10. The Government (PIU) commissions the annual technical and financial performance audits for HIRD 2013 from April to October 2014 and HIRD 2014 from April to October 2015.	
<b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b>	
2.1. The Government (MOE) together with respective technical agencies) develops, adopts, and delivers a gender sensitive annual plan of HIRD local government capacity building training to improve <i>hokimiyat</i> capacity to develop integrated community development plans and investment promotion strategies from December 2013 to June 2015.	
2.2. The Government (MOE) supports trained staff to develop and implement district and regional integrated district community development plans with targeted growth improvements, with PIU monitoring, from March 2014 to June 2015.	
<b>Output 3: Improved enabling environment for entrepreneurs and MSEs to establish or expand new businesses in rural areas</b>	
3.1 The Government (MOE) develops and delivers a time-bound action plan for expanding rural MSME borrowing and investment options, especially for HIRD homebuyers, with PIU monitoring, from December 2013 to September 2015.	
3.2 The Government (MOE with other key stakeholders) develops and delivers a pilot online business registration system, with PIU monitoring, from December 2013 to September 2015.	

ADB = Asian Development Bank, EA = executing agency, ESMS = environmental and social management system, FFA = framework financing agreement, GAP = gender action plan; HIRD = Housing for Rural Integrated Development, MFF = multitranché financing facility, MOF = Ministry of Finance, MSME = micro, small, or medium-sized enterprise, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, QQL = Qishloq Qurilish Lohiya, SCAC = State Committee on Architecture and Construction, TCC = Tender Consulting Center.

**Table 34: Design and Monitoring Framework—Project 3**

<b>Design Summary</b>	<b>Performance Targets and Indicators with Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Impact</b> Improved rural housing for targeted beneficiaries	At least 95% of 40,800 new rural modern homes under the RHS with access to basic utilities owned and occupied by “targeted” beneficiaries (moderate to low-income households, young families, single-headed households, rural teachers and health workers) (of which 30% are women)	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs, QQI and <i>hokimiyats</i>	<b>Assumptions</b> Government implements HIRD road map, and related programs to promote rural development on a timely basis
<b>Outcome</b> Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women	Use of defined beneficiary selection criteria, public awareness campaign, social prioritization of applicants, one year post-construction warranty, grievance process, and monitoring framework by September 2016.  At least 26,070 applicants in 2015 for housing loans under the scheme, of which at least 7,851 are selected as targeted beneficiaries (home buyers) by December 2015	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs	<b>Assumptions</b> The program continues to be well coordinated ensuring timely delivery of houses  General wage increases are adequate and are not outpaced by market prices of construction materials  <b>Risks</b> HIRD house construction contracts are not prepared properly and contract management remains weak resulting in housing stock of poor quality  PCBs delay submission of satisfactory audited project financial statements
<b>Outputs</b> 1. Housing loans provided by PCBs to targeted creditworthy subborrowers in rural areas  2. Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies  3. Improved enabling environment for entrepreneurs and MSEs to expand or establish new	About 7,851 housing loans provided to targeted beneficiaries, <i>of which at least 30% are women</i> , by December 2015  By December 2016 at least 8,000 local government staff, <i>of which at least 30% are women</i> , trained in 2015 in HIRD processes and participatory development of integrated rural development planning and investment promotion strategies  By December 2016, revised and updated integrated rural development planning and investment promotion strategies issued by selected regions in the country.  Total microcredit lending in rural areas increased from SUM716 billion in 2012 to SUM1361 billion in by December 2016, with at least 750 new microloans ( <i>of which at least 30% are to women</i> ) and 750 new MSME loans ( <i>of which 30% are to</i>	Specialized project reports (with sex-disaggregated results) prepared by EA (PIU) consolidating data from PCBs  Specialized project reports (with sex-disaggregated results) prepared by EA (PIU)  Ministry of Economy and Regional Government reports  Central bank of Uzbekistan reports  Chamber of commerce (Republic of	<b>Assumptions</b> Microfinance lending capacity high in project areas  Local governments provided with sufficient budget resources to revise and implement integrated rural development plans and investment promotion strategies and to provide adequate infrastructure on a timely basis  New homebuyers have sufficient resources and capacity to start new businesses  The government and the relevant entities effectively implement the action plans for improving financial management of both PCBs

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
businesses in rural areas	<p>women) to HIRD homebuyers</p> <p>At least 10,000 new MSMEs, of which at least 30% are women-owned, established in rural areas by December 2016; of which at least 750 are established by HIRD homebuyers</p>	Uzbekistan) reports	<p>and QQI's procurement and contract management procedures</p> <p><b>Risks</b></p> <p>Houses are unaffordable and home buyers are unable to repay mortgage loans on a timely basis</p>

Activities with Milestones	Inputs
<p><b>Output 1: Housing Loans provided by PCBs to targeted creditworthy subborrowers in rural areas</b></p> <p>1.1 The Government (SCAC and technical agencies) identifies, selects, and approves land sites for HIRD 2015 by April 2015</p> <p>1.2 The Government (national government, local government and service delivery agencies) plans and constructs the relevant infrastructure required for the house at housing sites for HIRD 2015 by March 2016</p> <p>1.3 The Government (PCBs), in close coordination with PIU, undertakes a gender sensitive public information campaign for HIRD 2015 from October 2014 to April 2015</p> <p>1.4 PCBs solicit housing loan applications, process selected applicants for creditworthiness, eligibility, targeting and selects homebuyers for HIRD 2015 by April 2015</p> <p>1.5 Subborrowers pay at least 25% down payment to PCBs and select their home model for HIRD 2015 by May 2015</p> <p>1.6 The Government (<i>hokimiyats</i> with technical guidance of TCC) undertakes open competitive selection of contractors in accordance with ADB procurement requirements for HIRD 2015 by July 2015</p> <p>1.7 The Government (QQI, QQL and Regional Design Institutes, and SCAC, with close oversight by PIU) undertakes a pre-defined HIRD inspection program that includes an inspection prior to handover, which subborrowers may also confirm, and submits an annual report on findings and recommendations to ADB on HIRD 2015 by February 2016</p> <p>1.8 The Government hands over the completed houses to the subborrowers for HIRD 2015 by September 2016 and banks register 100% of homes as mortgage collateral by December 2016</p> <p>1.9 The Government (MOE/PIU) commissions the annual technical financial performance audits for HIRD 2014 and HIRD 2015, with the reports submitted to ADB within 4 months from the signing of the contract with the auditors, or by 30 June 2016 for the TFPA for HIRD 2014 and by 30 September 2016 for the TFPA for HIRD 2015</p> <p><b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b></p> <p>2.1 The Government (MOE together with respective technical agencies) develops, adopts and delivers an gender sensitive annual plan of HIRD local government capacity building training to improve <i>hokimiyat</i> capacity to develop integrated community development plans and investment promotion strategies from September 2015 to December 2016</p> <p>2.2 The Government (MOE) supports the trained staff to develop and implement district and regional integrated district community development plans with targeted growth improvements from September 2015 to December 2016</p> <p>2.3 Selected regions issue revised and updated integrated rural development planning and investment promotion strategies by December 2016</p> <p><b>Output 3: Improved enabling environment for entrepreneurs and MSEs to establish or expand new business in rural areas</b></p> <p>3.1 The Government (CBU) develops and delivers a time-bound action plan for expanding rural MSME borrowing and investment options, especially for HIRD homebuyers, from September 2015 to September 2016</p> <p>3.2 The Government (MOE with other key stakeholders) continues to support online</p>	<p>ADB (Ordinary Capital Resources): \$100.00 million</p> <p>IDB: \$100.00 million</p> <p>PCBs: \$404.99 million</p> <p>Subborrowers: \$262.74 million</p> <p>Government of Uzbekistan: \$48.41 million</p> <p>Private Sector: \$26.31 million</p>

Activities with Milestones	Inputs
business registration system from September 2015 to September 2016.	

ADB = Asian Development Bank, CBU = Central Bank of Uzbekistan, EA = executing agency, HIRD = Housing for Rural Integrated Development, IDB = Islamic Development Bank, MOE = Ministry of Economy, MSE = micro or small enterprise, MSME = micro, small, or medium-sized enterprise, NPL = non-performing loan, PCB = participating commercial bank, PIU = program implementation unit, QQI = Qishloq Qurilish Invest, QQL = Qishloq Qurilish Lohiya, RHS = Rural Housing Scheme (now HIRD), SCAC = State Committee on Architecture and Construction, TCC = Tender Consulting Center, TFPA = technical financial performance audits.

## B. Monitoring

### 1. Program performance monitoring

111. MOE is responsible for overall coordination and implementation and results-based monitoring, evaluation, and reporting of the Housing for Integrated Rural Development Strategy and Policy Framework and the Program. The PIU is the MOE's focal unit for implementation and delivery of all MOE HIRD program monitoring and evaluation responsibilities including: (a) oversight of PCBs' responsibilities and quality assurance; (b) consolidation of PCB advances, liquidations, and other loan administration documentation required by ADB; (c) PCB results-based monitoring and performance reports on social and credit assessment of subloans and subborrower selection and down payments, subloan payments to contractors, subloan portfolio risk management, and subloan and PCB compliance with financial covenants; (d) oversight of mandated program responsibilities of all HIRD partner agencies and quality assurance and consolidation of their inputs as required to finalize the periodic HIRD performance reports; (e) collecting all data, maintaining all HIRD databases, maintaining and/or uploading of all relevant supporting documentation; and (f) preparing, finalizing, and submitting the quarterly HIRD performance reports which include analysis and reporting on all three components of the HIRD program.

112. Quarterly and annual program monitoring and evaluation reports are required to be submitted to MOE and ADB with annual reports submitted not later than 1 February every year. The PIU has developed a results-based program performance monitoring, evaluation, and reporting system in coordination with ADB. The Results-Based Program Performance Management System (RBPPMS) serves as a monitoring and evaluation tool to track Program targets and identify discrepancies between targets and current achievements so timely adjustments or improvements can be made during implementation. It is linked to the MFF and each Project DMF and the data to be collected and analyzed includes the DMF indicators at all levels, and the data in the Contributions to the Results Frameworks Appendices in the PFRRs.

113. The PIU is responsible for regularly gathering information from PCBs and all involved government agencies to maintain and update the RBPPMS. The PIU collects and regularly updates all data and statistical information required for the RBPPMS to monitor the HIRD Road map and Policy Framework and the MFF, including all DMF indicators and outputs. The RBPPMS also includes all information required to support assessment of (i) risks (identified in the DMF and RRP) and monitoring of actions taken to mitigate the risks and other critical issues identified during implementation; (ii) compliance with undertakings as stated in the agreements; and (iii) material changes, if any, relating to the Program. Disaggregated baseline data for output and outcome indicators was established at the start of the Program or gathered during Program processing and is updated and included in each quarterly report.

114. **Compliance monitoring.** Compliance of MOE, MOF, and other government entities with the covenants in the FFA and the loan agreements, and the PCBs with the covenants in the

Program agreements and SLAs, is monitored through (i) quarterly monitoring and evaluation reports submitted by the PIU, and (ii) review of the PCBs' audited project financial statements and audited financial statements.

115. MOF and PIU shall monitor the PCBs' compliance with the eligibility criteria and report to ADB on the status of such compliance on an annual basis. Upon becoming aware of any non-compliance by any PCB of the eligibility criteria, MOF and PIU shall promptly notify ADB and exercise its rights under the SLAs in consultation with ADB. Each PCB shall remain financially sound throughout the Project implementation period:

- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organisation for Economic Cooperation and Development) plus off-balance sheet contingencies;
- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year, expressed as a percentage; and
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio; and

116. At the completion of an audit, PCBs unable to comply with any of the financial covenants per Project Agreement or any significant audit or mission finding/s must develop corrective action plans to address each finding reported by the auditors. Within one (1) month from the date of the auditor's report/letter containing the audit findings or mission's signed Memorandum of Understanding/Aide Memoire, the concerned PCB must submit an action plan to MOF, MOE, and ADB. The action plan should clearly describe measures that have been taken or will be taken to effectively resolve each audit finding. Management of each PCB should closely monitor the status of corrective action plans to ensure that all audit findings are resolved in a timely manner. Corrective action plans without the required elements will be rejected. Each action plan will be reviewed by ADB for adequacy.

117. The concerned PCB must submit to MOF, MOE and ADB every quarter a communication and worksheet with unresolved findings as of the last reporting period until they are corrected or resolved. To assist in this preparation, the instructions and guidelines have been developed per Attachment 2f.

118. If any of the PCBs is found to be deficient in any of the above financial covenants, they will be required to submit to MOF, MOE, and ADB quarterly reports on the implementation of the action plan to be jointly agreed with the ADB.

119. Monitoring of the Action Plan on Reduction of Credit Risks and Improving Loan Portfolio by QQB: As indicated in Article 7(d) of the Schedule to the Project Agreement, QQB has provided an action plan to address NPL ratios, improve documentation on collateral for HIRD

homes, and address certain other financial ratios. QQB will implement the action plan and will share with MOF, MOE, and ADB, quarterly reports on the implementation of the action plan agreed with ADB.

120. **Safeguards monitoring.** Each PCB is required to submit an annual report to ADB under the ESMS. The format of this report is contained in Attachment 4b. Each PCB's report will cover the overall implementation of its ESMS and will include information on the subborrowers and compliance with ADB safeguard requirements of HIRD housing sites, specific house lots, and related construction supported by ADB financing.

121. **Gender and social dimensions monitoring.** MOE is required to submit quarterly reports to ADB on implementation of the GAPs described in Section VIII.

### **C. Evaluation**

122. Review missions are necessary to review and discuss overall progress on implementation of the program, including reviewing reports prepared by the EA and IAs. Various missions will be fielded during the duration of the program, as outlined in Attachment 5. Among other things, the missions will guide the executing agency, PCBs, and PIU staff on implementation and ADB disbursement procedures and assess compliance of the PCBs with the covenants in the Program and subsidiary loan agreements. In addition, ADB's review missions will include evaluations of the Program's achievements against the baseline target data and progress in implementation of activities in accordance with the proposed timelines.

### **D. Reporting**

123. MOE (PIU) will provide ADB with quarterly and annual monitoring and evaluation reports based on the RBPPMS for the Housing for Integrated Rural Development Road map and Policy Framework and the MFF (including all DMF indicators and outputs), in a format consistent with ADB's Program performance reporting system. The PCBs will submit quarterly and annual progress reports to ADB that include (a) progress achieved on each output as shown in the DMF and (b) key implementation issues and solutions. All reports submitted to ADB will be in English.

124. A Program completion report for each Project and a program completion report for the entire MFF will be prepared. MOE, under the PIU, will be responsible for preparing, consolidating, and submitting such completion reports to ADB. The reports required under the 5-year implementation period of the Program (2011–2016) are summarized below.

**Table 35: Summary of Government Reporting Requirements Under HIRD**

Report	Frequency of Submission	Report Format	Responsible Unit
1 MFF Component 1 Progress Report	Quarterly, with end of year progress report incorporated into the MFF Performance Report	As agreed upon from time to time between ADB and PIU	PIU with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
2 MFF Performance Report (on HIRD Road map, Capacity Development, and Components 1, 2, and 3)	Annually, to be submitted no later than 1 December	As agreed upon from time to time between ADB and PIU	PIU with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
3 Environmental and Social Management System Report	Annually	See Attachment 4b	Each PCB participating in the Program
4 Gender Action Plan Report	Quarterly	As agreed upon from time to time between ADB and PIU	PIU with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
5 Project Completion Report	Within 6 months from the closing date of each Project	To be provided by ADB concurrent with its request to the government for the report	PIU with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
6 Program Completion Report	Within 6 months from the closing date of the MFF (Program)	To be provided by ADB concurrent with its request to the government for the report	MOE with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
7 Report on Communication Strategy Implementation	Annual	As agreed upon from time to time between ADB and PIU	PIU with inputs from each PCB participating in the Program and all HIRD partner agencies with mandated responsibilities
8 PIU Audited Program Financial Statements	Within 6 months from the close of the previous fiscal year	See Attachment 2a	PIU
9 PCB Audited Financial Statements	Within 6 months from the close of the previous fiscal year	See Attachment 2b	PCBs
10 PCB Audited Program Financial Statements	Within 6 months from the close of the previous fiscal year	See Attachment 2c	PCBs
11 Technical and Financial Performance Review Report	Once; final report submitted by June 2015	See Attachment 2d	PIU
12 Report on Study on Affordable Lower Cost Housing	Once; final report submitted by June 2015	See Attachment 2d	PIU
13 Report on Study on Environmentally Sustainable Housing and Community Designs	Once; final report submitted by June 2015	See Attachment 2d	PIU
14 Report on Study on Strengthening Residential Building and Construction Standards	Once; final report submitted by June 2015	See Attachment 2d	PIU

Report	Frequency of Submission	Report Format	Responsible Unit
15 Technical and Financial Performance Audit Reports	Annually <sup>a</sup>	See Attachment 2e	PIU
16 PCB Action Plan	Within one (1) month of the date of the auditor's report/letter containing audit findings, the concerned PCB must submit an action plan to both the Ministry of Finance and the Asian Development Bank	See Attachment 2f	PCBs with inputs from MOF and ADB

ADB = Asian Development Bank, ESMS = environmental and social management system; ISA = International Standards on Auditing, MFF = multitranchise financing facility, MOE = Ministry of Economy, PCB = participating commercial bank, PCR = program completion report, PIU = program implementation unit, PPMS = Program Performance Management System.

<sup>a</sup> A technical and financial performance review for rural houses constructed in 2009, 2010, and 2011 was initiated in January 2015 with the final report submitted in June 2015. The technical and financial performance audit of HIRD 2012 houses commenced in January 2015 with the final report submitted in June 2015. The audit of HIRD 2014 and HIRD 2015 houses will commence within 3 months following the completion of construction for each phase.

Source: ADB staff.

## E. Stakeholder Communication Strategy

### 1. Communications strategy matrix for program design

Stakeholder Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
Program design considers results of stakeholder community consultation	Insufficient information and consultation result to poor design	ADB  Government agencies  Potential participating banks  Local Government  Women's Committee  Citizen Groups	Open dialogues among stakeholders	Program information and its desired outcome	Consultation and meetings with stakeholders	Q2 2010 to Q2 2011	ADB processing team	ADB staff resources	Wide public support of the program

### 2. Communications strategy matrix for implementation: Component 1

Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
Increased understanding of stakeholders, targeted beneficiaries, small contractors, and broad community of program objectives, beneficiary and procurement processes, and program social messages to	Limited outreach to targeted beneficiaries  Inadequate competition for new house construction contracts  Poor governance	ADB  Government agencies  Participating banks  Local Government  Women Committee	Socially-inclusive application and evaluation processes  Women apply and/or co-sign mortgages, are listed as co-owners of	Information on program objectives and processes, and social messages to increase financial literacy, awareness of consumer rights and	Multimedia public information campaign that includes TV, radio, newspaper, magazine, brochures, regular community outreach, and a	Q3 2011 – Q3 2016	PIU/PCBs	PIU/PCBs staff resources and funds	Increased access to housing finance by targeted beneficiaries  Greater participation of small contractors  Greater

Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
increase financial literacy, consumer rights, and environmental awareness	due to lack of transparency and accountability of processes	Citizen Groups	houses, and have greater opportunity with collateral to access finance  High level of interest and competition by small rural contractors  Transparent and accountable processes ensure greater governance	environmental awareness	program website linked to government and PCB websites  Gender sensitized curriculum for capacity building of PCBs, local government and other stakeholder				competition and value for money  Greater financial literacy and awareness of consumer rights, and environmentally sustainable approaches

### 3. Communications strategy matrix for implementation: Component 2

Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
Raise stakeholder awareness and build capacity among key regional and district stakeholders to (i) improve transparency and accountability of planning and resource allocation processes; and (ii) better ensure results based delivery of	Limited access to information, centralized planning and resource allocation processes, limited analytical skills and exposure to results based approaches	Regional and district local governments and related agencies  Chamber of Commerce  Development partners	Effective planning processes and budgeting for social priorities and value for money  Willing exchange of information	Program information, availability of training for local governments and related agencies	Delivery through parallel government capacity building programs  Coordination with activities of development partners	2013–2016	PIU  Regional Academic Institutions  Development Agencies	PIU resources  Regional Academic Institution resources  Development agencies resources, as appropriate	Increased effectiveness of planning processes and results based delivery of infrastructure and social services  Strengthened and results

Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
infrastructure and social services  Increase donor synergy	Overlap and duplication of development partner efforts and poor use of limited resources		among partners						based curriculum development  Complement ary program designs among key partners

#### 4. Communications strategy matrix for implementation: Component 3

Strategic Elements						Work plan Elements			Evaluation
Communication Objectives	Risks	Audiences / Stakeholders	Desired Behavior	Messages / Information	Activity / Channels	Timeline	Responsibility	Resources Needed	Expected Outcome
Strengthening startup and growth of rural home-based, micro and small businesses  Increase donor synergy	Lack of business skills/ knowledge of small business operational requirements, particularly women, result in few startups and high business failure  Overlap and duplication of donor efforts and poor use of limited resources	Local Government  PCBs  Small businesses including women's small businesses  Chamber of Commerce  Donor organizations	Small business owners make informed business decisions  Willing exchange of information among partners	Program information and availability of curriculum/ training for small business owners	Consistent exchange of communication among partners	2013–2016	PIU  PCBs  Partner Agencies	PIU resources  PCBs resources  Partner agencies resources, as appropriate	Increased registration of small businesses  Target beneficiaries (30% women's small businesses) reached within program  Complement ary program designs among key partners

## **X. ANTICORRUPTION POLICY**

125. ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the program. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the loan regulations for the program. During review missions, the financial management, governance, and anticorruption risk assessments will be updated to ensure their provisions remain valid and are helping to realize the program's objectives. All subprojects financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and financial statements of the executing and implementing agencies and all Program subborrowers, contractors, suppliers, consultants, and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in any ADB-financed activity and may not be awarded any contracts under the Facility.

126. To support these efforts, relevant provisions will be included in the legal agreements. During Program processing, financial management assessment and integrity due diligence were conducted on PCBs. ADB's handbooks on Anticorruption Policy and Anticorruption and Integrity will be provided to government and PCBs during loan negotiations.

## **XI. ACCOUNTABILITY MECHANISM**

127. People who are, or may in the future be, adversely affected by the Program may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.<sup>38</sup> The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted Programs can voice and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>39</sup>

## **XII. RECORD OF FAM CHANGES**

128. All revisions/updates during course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the facility administration manual.

Original version	9 August 2011
First revision	12 April 2013
Second revision	13 September 2013
Third revision	30 July 2015

<sup>38</sup> Reference for details: <http://compliance.adb.org/>.

<sup>39</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## LIST OF ATTACHMENTS

- 1     Loan Withdrawal and Disbursement
  - a.   Requirements for Disbursement
  - b.   Process Steps for Imprest Fund Procedure
  - c.   HIRD WD Form 1: Letter of Authority to Sign Withdrawal Applications
  - d.   HIRD WD Form 2: Withdrawal Application for Advance
  - e.   HIRD WD Form 3: Estimate of Expenditures Sheet
  - f.   HIRD WD Form 4: Liquidation of Advance
  - g.   HIRD WD Form 5: Statement of Expenditures
  - h.   HIRD WD Form 6: Pro Forma Bank Statements
  - i.   HIRD WD Form 7: Imprest Account Reconciliation Statements (MOF and PCB)
  - j.   HIRD WD Form 8: Sample ADB Disbursement Letter
- 2     Audit Terms of Reference
  - a.   HIRD Audit TOR1: PIU Operations
  - b.   HIRD Audit TOR2: Participating Commercial Bank (PCB) Financial Statements
  - c.   HIRD Audit TOR3: PCB Compliance with Program Agreements
  - d.   HIRD Audit TOR4: Technical and Financial Performance Review (TFPR)
  - e.   HIRD Audit TOR5: Technical and Financial Performance Audit (TFPA)
  - f.   Participating Commercial Bank Action Plan
- 3     PIU Consultants
  - a.   HIRD PIU 1: Consultant Recruitment Evaluation Sheet
  - b.   HIRD PIU 2: Consultant Contract Template
- 4     Environmental and Social Management System (ESMS)
  - a.   PCB ESMS
  - b.   Annual Safeguard Report Template
- 5     Outline of ADB Review Missions

### ATTACHMENTS ON E-FILE (available upon request)

- 6     HIRD Process Outlines
  - a.   Public Information Campaign
  - b.   Site/Land Selection
  - c.   Beneficiary Selection
  - d.   Contractor Selection
  - e.   House Pricing
  - f.   Construction Quality Assurance
- 7     HIRD Beneficiary Forms
  - a.   Application Form (including checklist for attached documentation)
  - b.   Mortgage Contract Form
  - c.   Collateral Agreement Form
  - d.   Prepurchase Agreement Form
  - e.   Purchase Contract Form
- 8     HIRD Procurement Guidelines
- 9     HIRD Procurement Forms
  - a.   Standard Bid Documents Template (including checklist for attached documentation)
  - b.   Preprogrammed Bill of Quantities Template
  - c.   Bidder Form Template (including checklist for attached documentation)
  - d.   Technical Bid Evaluation Report Template
  - e.   Financial Bid Evaluation Report Template

## REQUIREMENTS FOR DISBURSEMENT

1. After the Loan Agreement is signed, Controller's Department sends a disbursement letter (Annex 1) to the Ministry of Finance on the necessary actions to be taken to withdraw funds from the loan account.
2. As soon as the Loan becomes effective and to expedite the disbursement, the PIU:
  - (i) establishes and ensures sound internal control and accounting systems in the PIU and PCBs;
  - (ii) reviews Schedule 3 of the loan agreement which provides details of ADB financing such as amount, disbursement percentages,<sup>1</sup> items of financing, and applicable conditions of financing;
  - (iii) maintains records for all signed contracts and ensures all financial documents and records are securely kept;<sup>2</sup> and
  - (iv) takes proper actions for procurement in accordance with ADB guidelines.
3. The first withdrawal from the loan account requires the following:
  - (i) ADB declared the loan effective;
  - (ii) the borrower submitted to ADB sufficient evidence of the authority of the person/s who will sign WAs on behalf of the borrower, together with the authenticated specimen signature of each authorized person (Annex 2). Any subsequent change in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided; and
  - (iii) conditions for withdrawal, i.e., disbursement conditions, if specified in the loan agreement, were met as appropriate.
4. ADB will only finance eligible expenditures (Annex 3). Expenditures eligible for financing are generally detailed in the loan agreement (e.g., attachment to Schedule 3, allocation and withdrawal of loan proceeds, also referred to as the "allocation table") and the FAM.

<sup>1</sup> The disbursement percentage is the ratio or proportion of ADB financing which is applied to expenditure claimed under a particular expenditure category, as specified in the allocation table or other part of the loan agreement. The disbursement percentage in the allocation table is derived from ADB's financing percentage as presented in the detailed cost estimate by financier provided in the FAM.

<sup>2</sup> Executing and implementing agencies are required to retain all records (e.g., contracts, purchase orders, invoices, bills, receipts, subloan agreements) evidencing eligible expenditures and to enable ADB's representative to examine such records. Such records should be retained for at least 1 year following receipt by ADB of the final Audited Financial Statements or 2 years after the loan closing date, whichever is later. The executing and implementing agencies are responsible for ensuring that document retention also complies with their government's laws and regulations.

## PROCESS STEPS FOR IMPREST FUND PROCEDURE

### (Credit Component)

Responsible Agency	Activity
<b>A. Initial and Additional Advances to Imprest Account</b>	
PCBs	<ul style="list-style-type: none"> <li>PCBs complete the (i) PCB Withdrawal Application (WA) for imprest fund (Annex 1), and (ii) Estimates of Expenditure for 6-months (Annex 2) for submission to PIU for review and approval</li> </ul>
MOF	<ul style="list-style-type: none"> <li>PIU receives the completed forms from PCBs for review and approval and advises concerned PCBs of any defects found for revision and resubmission.</li> <li>After clearing the forms, PIU prepares MOF WA for imprest fund (Annex 1) and attaches the completed forms submitted by PCBs for MOF signature.</li> <li>PIU submits the completed forms to ADB for review and approval.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>Receives the completed forms from PIU for review and approval.</li> <li>Disburses the initial 6-month advance and succeeding advances for deposit to MOF's imprest account maintained in USD.</li> <li>Notifies PIU of deposit/s made to MOF's bank account (Annex 3A).</li> </ul>
MOF	<ul style="list-style-type: none"> <li>No later than 2 banking days upon credit to its bank account of the initial and succeeding advances from ADB, deposits to the respective bank accounts of each PCB in Sum the amounts indicated in the WA in Sum of each PCB.</li> <li>Notifies PCBs with a copy to ADB the deposits made to each of the respective bank accounts of PCBs the amount indicated in the WA of each PCB (Annex 3B).</li> </ul>
<b>B. Liquidation of the Imprest Account</b>	
PCBs	<ul style="list-style-type: none"> <li>PCBs prepare the following forms: (i) WA for imprest fund (Annex 1), (ii) imprest account reconciliation statement (IARS) (Annex 4), (iii) Liquidation of Advance (Annex 5), and (iv) Statement of Expenditures (Annex 6) and attaches a bank statement certified by the commercial bank where the PCB maintains its Imprest Account covering the period when funds were received from MOF and particular reporting period per Liquidation of Advance.</li> <li>Submits the completed forms to PIU for review and approval.</li> <li>Liquidations will be submitted to PIU on a monthly basis by the 10<sup>th</sup> of each month.</li> </ul>
MOF	<ul style="list-style-type: none"> <li>PIU receives the forms from PCBs for review and approval and advises concerned PCB/s of any defects found for revision and resubmission.</li> <li>After clearing the forms, PIU prepares the following forms: (i) WA for imprest fund (Annex 1), (ii) MOF imprest account reconciliation statement (IARS) (Annex 7), (iii) MOF Liquidation of Advance (Annex 8) and attaches a bank statement where the Imprest account is maintained covering the period when funds were received from ADB and particular reporting period per Liquidation of Advance.</li> <li>PIU submits the completed forms to ADB for review and approval.</li> <li>Liquidations will be submitted to ADB on a monthly basis by the 20<sup>th</sup> of each month.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>Receives the consolidated forms from PIU and confirms the value of eligible expenditures and/or disallows any unjustified or ineligible payment.</li> <li>Where ADB subsequently finds any payment made under the SOE procedure to be insufficiently supported or ineligible for ADB financing, ADB may offset the amount of the unjustified or ineligible payment against subsequent withdrawals for liquidation for PCBs, or replenishment for the PIU and/or request the PIU or PCBs to refund the same amount to the loan account.</li> <li>Advises PIU through email of the confirmed eligible expenditures and/or unjustified/ineligible payments of the concerned PCBs.</li> </ul>
MOF	<ul style="list-style-type: none"> <li>Upon receipt of the notice from ADB, within 3 calendar days, refunds or replaces the disallowed amount to its imprest account.</li> </ul>
PCBs	<ul style="list-style-type: none"> <li>Upon receipt of the notice from ADB, refunds or replaces the disallowed amount to its</li> </ul>

	imprest account.
<b>C. Final Liquidation or Recovery of Advances</b>	
PCBs	<ul style="list-style-type: none"> <li>• PCBs prepare the following forms: (i) WA for imprest fund (Annex 1), (ii) imprest account reconciliation statement (IARS) (Annex 4), (iii) Liquidation of Advance (Annex 5), and (iv) Statement of Expenditures (Annex 6) and attaches a bank statement certified by the commercial bank where the PCB maintains its Imprest Account covering the period when funds were received from MOF and particular reporting period per Liquidation of Advance.</li> <li>• Submits the completed forms to PIU for review and approval.</li> </ul>
MOF	<ul style="list-style-type: none"> <li>• PIU receives the forms from PCBs for review and approval and advises concerned PCB/s of any defects found for revision and resubmission.</li> <li>• PIU prepares the following forms: (i) WA for imprest fund (Annex 1), (ii) imprest account reconciliation statement (IARS) (Annex 7), (iii) Liquidation of Advance (Annex 8) and attaches a bank statement covering the period when funds were received from ADB and particular reporting period per Liquidation of Advance.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• Receives the completed forms for review and approval.</li> <li>• Deducts the amount of eligible expenditures incurred from the outstanding balances of advances until the imprest account reaches a zero balance.</li> <li>• Requests MOF to refund the unliquidated balance if the account still has unliquidated advance after the loan closing date.</li> </ul>
MOF	<ul style="list-style-type: none"> <li>• Notifies the PCBs of the unliquidated advance upon receipt of the advice from ADB and refunds promptly to the loan account any amount that remains outstanding in the imprest account after the loan closing date, as specified in the Loan Agreement.</li> </ul>
PCBs	<ul style="list-style-type: none"> <li>• Refunds promptly to the loan account any amount that remains outstanding in the imprest account after the loan closing date, as specified in the Program Agreement.</li> </ul>

ADB = Asian Development Bank, IARS = imprest account reconciliation statement, MOF = Ministry of Finance, PCB = participating commercial bank, PIU = program implementation unit, SOE = statement of expenditure, WA = withdrawal application.

**EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS**

(This model form is used when a blanket authorization has not been provided.)

[Letterhead of The representative of the Borrower/Recipient]  
 [Street address] [City] [Country]

[DATE]

Asian Development Bank  
 6 ADB Avenue  
 Mandaluyong City 1550 Metro Manila  
 Philippines

Attention: Controller's Department, Loan Administration Division (CTL/CTLA)

Dear Sir/Madam:

Subject: Loan No. \_\_\_\_-UZB: Housing for Integrated Rural Development Investment Program

I refer to the Loan Agreement (the "Agreement") between the Asian Development Bank ("ADB") and [name of borrower] (the "borrower"), dated \_\_\_\_\_, providing the above Loan. For the purposes of Article [put appropriate Article number] as defined in the Agreement, the person(s) whose authenticated specimen signature(s) appear below is authorized on behalf of the borrower to sign withdrawal application(s) and applications for issuance of commitment letter(s) under this Loan:

[Name], [position] Specimen Signature: \_\_\_\_\_

[Name], [position] Specimen Signature: \_\_\_\_\_

[Name], [position] Specimen Signature: \_\_\_\_\_

(Stipulate if more than one person needs to sign withdrawal applications, and how many or which positions, and if any thresholds apply.)

Sincerely,

Signed by:

[Title of the Borrower/Recipient's Designated Representative, as provided in the Loan Agreement]

## EVIDENCE OF AUTHORITY TO SIGN WITHDRAWAL APPLICATIONS

(This model form is used when a blanket authorization has not been provided.)

[Letterhead of  
The representative of the Borrower/Recipient]  
[Street address]  
[City] [Country]

[DATE]

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Controller's Department, Loan Administration Division (CTL/CTLA)

Dear Sir/Madam:

**Subject: Loan {Grant} No. \_\_\_\_ - \_\_\_\_ (Project Name)**

I refer to the Loan {Grant} Agreement (the "Agreement") between the Asian Development Bank ("ADB") and [name of borrower {recipient}] (the "borrower" {the "recipient"}), dated \_\_\_\_\_, providing the above Loan {Grant}. For the purposes of Article [put appropriate Article number] as defined in the Agreement, the person(s) whose authenticated specimen signature(s) appear below is authorized on behalf of the borrower {recipient} to sign withdrawal application(s) and applications for issuance of commitment letter(s) under this Loan {Grant}:

[Name], [position]	Specimen Signature: _____	_____	_____
[Name], [position]	Specimen Signature: _____	_____	_____
[Name], [position]	Specimen Signature: _____	_____	_____

(Stipulate if more than one person needs to sign withdrawal applications, and how many or which positions, and if any thresholds apply.)

Yours faithfully,

/ signed /

---

Signed by:  
[Title of the Borrower/Recipient's  
Designated Representative,  
as provided in the Loan {Grant} Agreement]

## WITHDRAWAL APPLICATION FOR ADVANCE

### WITHDRAWAL APPLICATION FORM FOR IMPREST FUND

Asian Development Bank



Date:

To: Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

Attention: Loan Administration Division, Controller's Department (CTLA)

ADB Loan No.

Application No.

Type of Disbursement

☐ Initial Advance

☐ Additional Advance

Liquidation and Replenishment

Liquidation Only\*

Sir/Madam:

1. In connection with the Loan Agreement dated \_\_\_\_\_ between the Asian Development Bank and the Republic of Uzbekistan \_\_\_\_\_, please pay from the loan account for the purpose of establishing/replenishing the imprest fund.

Currency	Amount in Figures	Amount in Words
SUM		
USD		

2. The borrower certifies and agrees as follows:

- a. The said amount is required for payment of eligible expenditures as described in the attached estimate of expenditures sheet(s) from 01/05/2013 (date/month/year) to 31/05/2013 (date/month/year).
- b. Any advances by the Asian Development Bank (ADB) to the imprest account may be limited to a sum equal to or smaller than the amount requested for advances or replenishment.
- c. The undersigned has not previously withdrawn or applied for withdrawal of any amounts from said loan account nor obtained or will obtain any loan, credit, or grant for the purpose of fully or partially meeting the expenditures described in the estimate of expenditures sheet(s), Summary Sheet(s), and/or statement of expenditures (SOE).
- d. The goods or services have been procured in accordance with the Loan Agreement and the cost and terms of the purchase thereof are reasonable and in accordance with the relevant contract(s).
- e. The goods or services were or will be produced in and supplied by a member country of ADB as specified in the attached summary sheet(s) or SOE.
- f. The expenditures described in the attached estimate of expenditures sheet(s), Summary Sheet(s), and/or SOE are to be made for the purposes specified in the Loan Agreement and in accordance with its terms and conditions.
- g. The undersigned will furnish supporting documents satisfactory to ADB to liquidate the advance, or will refund any unliquidated advance.
- h. For expenditures to be liquidated on the basis of an SOE, all authenticating documents will be retained in the appropriate location (e.g., executing/implementing agency's office) and will be made available for examination by auditors and ADB representatives upon request.
- i. As of the date of this application, there is no existing default under the Loan Agreement, the Project Agreement, or the Guarantee Agreement, if any.
- j. If any funds withdrawn pursuant to this application are returned, the current value of such funds will be applied as credit to the loan account or, if the amount is small, applied to the next loan service payment due.

3. Payment Instructions (\*Not required in the case of liquidation only):

A. Payee's Name and Address

Payee's Name

Payee's Address

B. Name and Address of Payee's Bank and Account No.

Bank Name

Bank Address

Payee's Account No.

SWIFT Code

C. Correspondent Bank (If payee's bank is not located in the country whose currency is claimed, enter the name and address of their bank's correspondent in the country whose currency is to be paid.)

Bank Name

Bank Address

Account No. of

Payee's Bank

SWIFT Code

D. Special Payment Instructions and Other References

4. This application consists of 2 pages including 1 page Estimate of Expenditures Sheet.

From: the Ministry of Finance of the Republic of Uzbekistan

M. Mirzaev/Deputy Minister of Finance

From: Participating Commercial Bank

Name of authorized signator

**Instructions for preparing the Withdrawal Application Form for Imprest Fund  
(ADB Form No. ADB-IFP)**

**General Instructions**

1. Submit original withdrawal application (WA) form to the Asian Development Bank (ADB) (or to its resident/regional Mission, if instructed).
2. Number WAs consecutively, not exceeding five digits or characters.
3. For replenishment of advances, consolidate claims until the amount being withdrawn is at least US\$100,000 equivalent or an amount advised by ADB.
4. When the application is completed, verify completeness of supporting documentation and accuracy of details before passing to the authorized representative(s) for signature. Mistakes and omissions result in delayed payment.

**Withdrawal References**

5. **Date:** Enter the date WA is signed by authorized representative(s), not the date it was prepared.
6. **Loan Number:** Show ADB loan number clearly.
7. **Application Number:** Number WAs consecutively. If the project has more than one executing agency (EA) or implementing agency, the project coordinator should assign an alpha identification for each EA, e.g., A0001 to A9999 for EA no. 1 and B0001 to B9999 for EA no. 2.
8. **Type of Disbursement:** Indicate in the appropriate box the type of WA claim, whether for initial advance, additional advance, liquidation and replenishment, or liquidation only.

**Estimate of Expenditures Sheet (ADB Form No. ADB-IFP-EES)**

**For Initial Advance and Additional Advance:**

9. Provide all details as required in form ADB-IFP-EES. Estimated expenditures should normally be based on the amount of contracts awarded and to be awarded.
10. For expenditures related to operational costs, the amount should be linked to the project's annual budget provision.

**For Liquidation and Replenishment:**

11. In addition to 1 and 2 above, before submitting the WA, obtain appropriate procurement contract summary sheet (PCSS) numbers from ADB's sector division/resident mission concerned.
12. Where the statement of expenditures (SOE) is not allowed, submit full supporting documents required under section 10.35 of the handbook.

**Payment Instructions**

13. **Payee's Name and Address:** Indicate full name and address of payee for identification of payment.
14. **Name and Address of Payee's Bank and Account No.:** Indicate full name and address of the payee's bank, which may include a banker and/or branch designation. Account number is important. Give SWIFT code if payee's bank is a member of SWIFT.
15. **Correspondent Bank:** Where payment is to be made to a bank not located in the country of the currency to be paid, indicate its full name and address. Provide SWIFT code if the bank is a member of SWIFT.
16. **Special Payment Instructions:** Indicate any particulars, special instructions, or references to facilitate payment or identification of payment.
17. **Name of Borrower:** Fill in the name as it appears in the Loan Agreement.
18. **Authorized Representative(s):** Pass this application to authorized representative(s) for signature. Verify if the list of authorized representative(s) has been changed.

## ESTIMATE OF EXPENDITURES TO BE FINANCED FROM THE IMPREST ACCOUNT <sup>a</sup>



Category No.: \_\_\_\_\_ Estimate Sheet No.: <sup>b</sup> \_\_\_\_\_

[illegible]

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(Position / Title of Representative)<sup>d</sup>

## d Representative of executing agency or implementing agency which prepared the estimate.

## LIQUIDATION OF ADVANCE

**LIQUIDATION OF ADVANCE for** NAME OF PCB

Asian Development Bank



Date: \_\_\_\_\_

To: Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

Loan No.: \_\_\_\_\_

Application No.: 

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Attention: Loan Administration Division, Controller's Department (CTLA)

*Attached to this Liquidation Statement is the Statement of Expenditures for the period from 11 August 2012 to 27 December 2012.  
for expenditures in the sum of:*

Currency	Amount (in figures)	Amount (in words)
SUM		
USD		

incurred under the Loan Agreement of the Asian Development Bank. Please liquidate against previous advance(s)

CATEGORY <sup>1</sup>	DESCRIPTION	AMOUNT
		SUM
	Loans to HIRD Homebuyers	USD

**Prepared by:** \_\_\_\_\_**NAME OF PCB**Phone: 

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Fax: 

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Authorized Representative \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Signed: 

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**Reviewed and Endorsed by:** \_\_\_\_\_**MINISTRY OF FINANCE-PROGRAM IMPLEMENTATION UNIT**Phone: 

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Fax: 

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Authorized Representative \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Signed: 

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## LIQUIDATION OF ADVANCE for MINISTRY OF FINANCE

Date: \_\_\_\_\_

To: Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines

Loan No.:

Application No.: 

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Attention: Loan Administration Division, Controller's Department (CTLA)

Attached to this Liquidation Statement is the Statement of Expenditures for the period from \_\_\_\_\_ to \_\_\_\_\_  
for expenditures in the sum of:

Currency	Amount (in figures)	Amount (in words)
USD		

incurred under the Loan Agreement of the Asian Development Bank. Please liquidate against previous advance(s)

CATEGORY <sup>1</sup>	DESCRIPTION	AMOUNT
	Loans to HIRD Homebuyers	USD

**Prepared by:**

[illegible]

***Reviewed and Endorsed by:***

**MINISTRY OF FINANCE-PROGRAM IMPLEMENTATION UNIT**

Name:

Title:

Signature:

Date Signed:

Phone:

Fax:

## STATEMENT OF EXPENDITURES

**STATEMENT OF EXPENDITURES (SOE) for FINANCIAL INTERMEDIATION LOANS**

For the Period:

SOE for: [REDACTED] Liquidation/Replenishment of Advance

## Reimbursement

Asian Development Bank

[illegible]

a to be completed by ADB

ADB = Asian Development Bank, PCB = Participating Commercial Banks

**TOTALS**

It is hereby certified that the above amounts have been paid for proper execution of project activities within the terms and conditions of the Loan Agreement. All documentation authenticating these expenditures have been retained by Qishloq Qurilish Bank and will be made available upon request by ADB. It is further certified that HIRD Home Buyer Loans have not been split to enable them to be less than the threshold prescribed under paragraph 5(b) of Schedule 3 of the Loan Agreement. It is further certified that (i) all the above sub-borrowers are eligible as defined in the loan agreement, and (ii) documents to support the eligibility of sub-borrowers are well maintained.

PARTICIPATING COMMERCIAL BANK

By:

(Representative Name and Signature)

(Position / Title of Representative)

PRO FORMA BANK STATEMENTS

PCB							
Account No. _____							
As of _____							
Date	Description				Debit	Credit	
	Beginning Balance				xxx, xxx.xx	xxx, xxx.xx	
					xxx, xxx.xx	xxx, xxx.xx	
	Ending Balance					xxx, xxx.xx	
Bank where account is maintained							
Address							
Phone:							
Fax:							
Authorized Representative:							
Name:							
Title:							
Signature:							
Date Signed:							

<b>Ministry of Finance</b>							
<b>Account No.</b> _____							
<b>As of</b> _____							
<b>Date</b>	<b>Description</b>				<b>Debit</b>	<b>Credit</b>	
	Beginning Balance				xxx, xxx.xx	xxx, xxx.xx	
					xxx, xxx.xx	xxx, xxx.xx	
	Ending Balance					xxx, xxx.xx	
<b>Central Bank of the Rep. of Uzbekistan</b>							
<b>6, Uzbekistan av., 700001, Tashkent, Uzbekistan</b>							
Phone:							
Fax:							
Authorized Representative:							
Name:							
Title:							
Signature:							
Date Signed:							

## IMPREST ACCOUNT RECONCILIATION STATEMENT (MOF)

MINISTRY OF FINANCE IMPREST ACCOUNT RECONCILIATION STATEMENT									
Loan No.: Project Name									
Application Number :				With (Bank):					
Bank Account Number:				Bank Address:					
1	<b>PRESENT OUTSTANDING AMOUNT ADVANCED TO THE IMPREST ACCOUNT NOT YET RECOVERED</b>						US\$	XXX, XXX.XX	
2	<b>BALANCE of imprest account as of per bank statement (copy attached)</b>						US\$	XXX, XXX.XX	
3	<b>ADD: Amount of eligible expenditures claimed in attached application (WA no. _____)</b>						US\$	XXX, XXX.XX	
4	<b>ADD: Amount claimed in previous applications not yet credited at date of bank statement</b>						US\$	XXX, XXX.XX	
	<b>Withdrawal Application No.</b>						<b>Amount</b>		
	XXXXX						US\$	XXX, XXX.XX	
	XXXXX						US\$	XXX, XXX.XX	
	XXXXX						US\$	XXX, XXX.XX	
5	<b>TOTAL expenditures withdrawn from Imprest account but not yet claimed for replenishment</b>								
	<b>a. Sub-accounts <sup>1</sup></b>								
	a.1	Total sub-account balance accounted for PCB#1				US\$	XXX, XXX.XX		
	a.2	Total sub-account balance accounted for PCB#2				US\$	XXX, XXX.XX		
	a.3	Total sub-account balance accounted for PCB#3				US\$	XXX, XXX.XX		
		Total sub-account balances accounted for				US\$	XXX, XXX.XX		
	<b>b. Transfer in transit</b>					US\$	XXX, XXX.XX		
	<b>c. Petty cash balance</b>					US\$	XXX, XXX.XX		
	<b>d. Unliquidated expenses</b> (itemize expenses)					US\$	XXX, XXX.XX		
	<b>e. Others</b> (please specify)					US\$	XXX, XXX.XX		
						US\$	XXX, XXX.XX		
6	<b>TOTAL ADVANCE ACCOUNTED FOR</b>						US\$	XXX, XXX.XX	
Explanation of any discrepancy between totals appearing in lines 1 and 6 above (e.g., earned interest credited to the account, bank charges, etc.):									
7	<b>IMPREST ACCOUNT TURNOVER RATIO, estimate</b> (see attachment to IARS)								
8	<b>APPROPRIATE LEVEL OF IMPREST ACCOUNT ADVANCE</b>						US\$	XXX, XXX.XX	
9	<b>REQUESTED LEVEL OF IMPREST ACCOUNT ADVANCE</b>						US\$	XXX, XXX.XX	
NOTES:									
1 List all existing sub-accounts with corresponding amount advanced. Reconciliation statements and bank statements for sub-accounts should be retained at the office of the borrower and/or EA.									
2 All figures are indicated only for illustration purposes.									
						Signature, name, and title of representative of the entity which hold the title of the imprest account			
NOTES:									
1 List all existing sub-accounts with corresponding amount advanced. Reconciliation statements and bank statements for sub-accounts should be retained at the office of the borrower and/or EA.									
2 All figures are indicated only for illustration purposes.									

## IMPREST ACCOUNT RECONCILIATION STATEMENT (PCB)

PCB IMPREST ACCOUNT RECONCILIATION STATEMENT									
Loan No.: Project Name									
Participating Commercial Bank:					With (Bank):				
Bank Account Number:					Bank Address:				
1	<b>PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SUB-ACCOUNT NOT YET RECOVERED</b>					<b>SUMS</b>	XXX, XXX.XX	<b>USD</b>	XXX, XXX.XX
2	BALANCE of sub-account as of per bank statement (copy attached)					SUMS	XXX, XXX.XX	USD	XXX, XXX.XX
3	ADD: Amounts submitted for PIU for liquidation but not yet replenished at date of bank statement					SUMS	XXX, XXX.XX	USD	XXX, XXX.XX
	<u>Date</u>	<u>Reference</u>	<u>Amount</u>						
	dd/mmm/yyyy	xxxxx	x,xxx.xx						
	dd/mmm/yyyy	xxxxx	x,xxx.xx						
	dd/mmm/yyyy	xxxxx	x,xxx.xx						
4	ADD: Petty Cash balance at date <sup>2</sup>					SUMS	XXX, XXX.XX	USD	XXX, XXX.XX
5	UNLIQUIDATED EXPENSES- expenditures withdrawn from sub-account but not yet claimed for replenishment (Itemize expenses)					SUMS	XXX, XXX.XX	USD	XXX, XXX.XX
	5.1								
	5.2								
	5.3								
6	<b>TOTAL ADVANCE ACCOUNTED FOR</b>					<b>SUMS</b>	<b>XXX, XXX.XX</b>	<b>USD</b>	<b>XXX, XXX.XX</b>
7	<b>IMPREST ACCOUNT TURNOVER RATIO, estimate</b> (see attachment to IARS)								
8	<b>APPROPRIATE LEVEL OF IMPREST ACCOUNT ADVANCE</b>					<b>SUMS</b>	<b>XXX, XXX.XX</b>	<b>USD</b>	<b>XXX, XXX.XX</b>
9	<b>REQUESTED LEVEL OF IMPREST ACCOUNT ADVANCE</b>					<b>SUMS</b>	<b>XXX, XXX.XX</b>	<b>USD</b>	<b>XXX, XXX.XX</b>
<b>Prepared by:</b>									
					<b>Signature, name, and title of representative of the entity which hold the title of the imprest account</b>				
<b>NOTES:</b>									
1	List all existing sub-accounts with corresponding amount advanced. Reconciliation statements and bank statements for sub-accounts should be retained at the office of the borrower and/or EA.								
2	All figures are indicated only for illustration purposes.								
1 Exchange rate as of USD to Soums as of date funds were transferred to PCBs account									
3 Not applicable under this Loan									

**SAMPLE ADB DISBURSEMENT LETTER**

Controller's Department  
 Loan Administration Division  
 [Date]  
 CTLA-LGFC/YY-000

Name of the Borrower  
 [Street address] [City]  
 [Country]

Dear Sir/Madam:

**Loan No. \_\_\_\_ -UZB: Housing for Integrated Rural Development Investment  
 Program (HIRDIP)**

1. We draw your attention to the Loan Agreement, Facility Administration Manual (FAM), and other related documents of the above Loan. The Loan account will be credited with the amount indicated in the Loan Agreement when such agreement becomes effective. Withdrawal of Loan Proceeds.
2. For withdrawal of Loan proceeds, please comply with ADB's Loan Disbursement Handbook (hereinafter referred to as the "Handbook") available at <http://www.adb.org/documents/loan-disbursement-handbook>. For the specific disbursement arrangements for the project, please see Schedule 3 of the Loan Agreement and the FAM.
3. In order to withdraw the amount indicated in the Loan Agreement, withdrawal applications<sup>1</sup> should be submitted. Incomplete withdrawal applications which do not substantially meet the requirements for disbursement will be returned to you. To promote efficiency in processing disbursements, a minimum value per withdrawal application is set at US\$100,000.00 (One Hundred Thousand U.S. Dollars) equivalent, unless otherwise stipulated in the FAM. Individual payments below this amount should be paid (i) by the Government and subsequently claimed to ADB through reimbursement, or (ii) through the imprest fund procedure (if such procedure is stipulated in the FAM), unless otherwise accepted by ADB.
4. The Handbook describes what you must do before disbursement commences. We suggest that the procedures contained in the Loan Agreement, FAM, and the Handbook be studied thoroughly by the officials responsible for administering the Loan. In particular, to avoid delays in disbursement after the Loan becomes effective, please a) submit the evidence of authority to sign withdrawal applications (see attached) duly signed by the representative of the borrower as designated in Article [put appropriate Article number] of the Loan Agreement together with the specimen signature(s) of person(s) who are authorized to sign withdrawal applications on behalf of the borrower; and b) ensure that disbursement conditions stipulated in Schedule 3, para. XX of the Loan Agreement, have been met, as appropriate, and submit required evidence to ADB.

<sup>1</sup> Sample withdrawal application forms are in the appendixes of the Handbook.

## Advice of Withdrawals

5. Advice of withdrawals and other Loan {Grant} disbursement information are available at the ADB Controller's website at <https://lfis.adb.org>. For password access to this website, please fill out the request form for LFIS/GFIS web access (in Appendix 14E of the Handbook) and send it to Systems Support Group (CTOC-SSG) Section, Controller's Department at [lfis@adb.org](mailto:lfis@adb.org). Please also provide us the updated address, telephone number, and email address of the Executing/Implementing Agency(ies) concerned. Online Training on Disbursement
1. Online training for project staff on disbursement policies and procedures is available at [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning). We encourage relevant project staff to avail of this training to help ensure efficient disbursement and fiduciary control.
2. For any questions regarding disbursement of Loan proceeds, please feel free to contact us.

Sincerely yours,

[Name of Assistant Controller]  
Assistant Controller  
Loan Administration Division  
Controller's Department

Attachment: Model form of Evidence of Authority to Sign Withdrawal Applications.

cc: PIU  
PCBs  
QQI

bcc : Takeo Konishi, Country Director, Uzbekistan Resident Mission  
Asadullah Sumbal, Principal Economist (Public Finance), URM  
Matthew Hodge-Kopa, Economist (Public Finance), CWPF

## **ELIGIBLE AND INELIGIBLE EXPENDITURES**

1. Expenditures eligible for ADB financing are generally detailed in Loan Documents such as the Loan Agreement (e.g., Attachment to Schedule 3, Allocation and Withdrawal of Loan Proceeds) and the Project Administration Manual (PAM), with consideration to the following ADB's policies and guidelines.
2. Eligibility of Expenditures for ADB Financing: ADB's policy on eligibility of expenditures became effective upon issuance of Staff Instructions dated 15 March 2006 (amended from time to time). The policy is applicable to new loans approved on and after the date, subject to proper documentation in the Report and Recommendation of the President (RRP), Project/Loan Agreement, and/or PAM or other project documents.
3. According to the policy, the following are no longer ineligible for ADB financing:<sup>2</sup> acquisition of land and rights-of-way, resettlement expenses, late payment charges imposed by suppliers and contractors, recurrent costs, severance pay, bank charges, food expenditures, interest during construction on non-ADB loans, secondhand goods, lease financing costs, taxes and duties, and local transport and insurance costs related to project expenditures.
4. According to the policy, the eligibility of these items must be assessed, documented, and justified in the RRP. If the eligibility of these items needs to be approved during project implementation, proper approval should be sought in accordance with other policies, including the Safeguard Policy Statement (2009) and Section F1 of Operations Manual (OM), and the procedures for changes in project scope. The criteria for determining eligibility for ADB financing are described in OM Section H3/OP, particularly for acquisition of land and rights-of-way, resettlement expenses, and taxes and duties.
5. Ineligible Expenditures per Safeguard Policy: The ADB Prohibited Investment Activities List in the Safeguard Policy Statement (2009, amended from time to time) stipulates activities which do not qualify for ADB financing. For more details, please visit <http://www.adb.org/site/safeguards/main>.
6. Other Financier's Requirement: For grants or loans from external funding sources that are administered by ADB, cofinanciers and ADB may discuss and agree on additional eligibility conditions. Such specific requirements, if any, should be properly documented in the loan documents.
7. Eligible and Ineligible Expenditures per Japan Fund for Poverty Reduction guidelines:<sup>3</sup> The JFPR Guidelines specify eligible expenditures and ineligible expenditures under Japan Fund for Poverty Reduction (JFPR) grants (as the guidelines are amended from time to time, please visit <http://www.adb.org/jfpr/> for more details).

<sup>2</sup> Other policies govern the extent to which particular expenditures may be financed. For example, under Section D7/BP of the Operations Manual (Disaster and Emergency Assistance), ADB's mandate does not allow it to engage in peacemaking, peacekeeping, or humanitarian relief.

<sup>3</sup> The Operational Guidelines for Application, Approval and Execution of Japan Fund for Poverty Reduction Project Grants (2011, amended from time to time).

## TERMS OF REFERENCE AUDIT OF PIU PROJECT ACCOUNTS

### A. BACKGROUND

#### a. General

1. In order to improve the quality of life of the rural population through the construction of modern individual housing based on approved typical design, utilities, and social infrastructure, on 31 August 2011, the Board of Directors of the Asian Development Bank (ADB) approved multitranches financing for the Housing for Integrated Rural Development Investment Program (Program) for \$500 million, of which loans in the amount of \$497.5 million will be used for the component "housing finance credit line," and \$2.5 million will be used for implementation of the component "capacity development and project management support".

2. In accordance with the Framework Financing Agreement between the Republic of Uzbekistan and ADB, funding of the Program shall be made in several Projects, each of which shall have its own financing agreement.

#### b. Project Goals

3. The investment program "housing development in rural areas" is a multipurpose program for achieving more inclusive growth by improving peoples' quality of life and livelihoods. The program focuses on improving access to rural housing and improving the investment climate in rural areas, as a catalyst to improve the conditions of life and the creation of new jobs and livelihoods in rural areas. The Program includes a series of Projects to help finance the purchase of new and modern rural housing for subborrowers with low and middle income (young families, teachers and health workers, and other qualified professionals). The program also supports capacity building of local authorities (*hokimiyats*) to implement integrated rural development and investment promotion strategy aimed at creating jobs in rural areas, and the creation of an enabling environment for rural micro and small enterprises (MSEs).

#### c. Outputs and Components

4. Expected results of the program will be achieved through three ways:

- (i) Loans offered by participating commercial banks (PCBs) to socially targeted creditworthy subborrowers for the purchase of new housing in rural areas (Component 1);
- (ii) Strengthening the capacity of local governments (*hokimiyats*) to prepare and implement integrated rural development and investment promotion strategies (Component 2); and
- (iii) Creating favorable conditions for the MSEs to expand or create new businesses in rural areas (Component 3).

## **d. Implementation Arrangements**

### **1. Program Management**

5. The Program is being implemented over 4 years, beginning in 2012. The Ministry of Economy (MOE) is the executing agency of the Program. PCBs are the implementing agencies for Output 1. MOE is the implementing agency for Outputs 2 and 3. MOE established a program implementation unit (PIU), which is providing technical support to the Program, implementing the Program's capacity development activities, monitoring and evaluating implementation of the Program, and implementing Outputs 2 and 3. The Project Manager was appointed by decision of the Interagency Council of the Cabinet of Ministers and an order of the Minister of Economy.

### **2. Procurement**

6. All ADB-financed procurement of goods, works, and consulting services must follow ADB's *Procurement Guidelines* (2010, as amended from time to time).

### **3. Consulting Services**

7. All consulting services to be financed under the Program must be procured in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).

### **4. Disbursement Arrangements**

8. The proceeds of ADB's loans will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements as agreed between the government and ADB.

### **5. Accounting, Auditing, and Reporting**

9. The PIU maintains separate accounts and financial statements. The PIU is required to have these accounts audited annually by independent auditors acceptable to ADB. The PIU is also required to submit to ADB certified copies of the annual audited accounts and financial statements, as well as the auditor's report, which includes a separate opinion on the use of the imprest account and statement of expenditures, and management letter, all in English, within 6 months of the end of each fiscal year during project implementation.

## **B. OBJECTIVES**

10. The objective of the audit is to enable the auditor to express a professional opinion on:

- (i) the financial position of the PIU and of the funds received and expenditures for the year ending 31 December 20\_\_ and 31 December 20\_\_, as per the PIU's Financial Statements (PFS);
- (ii) the statements of expenditures (SOE) submitted to ADB for the year ending 31 December 20\_\_ and 31 December 20\_\_ ; and
- (iii) the program's imprest accounts for the year ending 31 December 2013 and 31 December 2014 .

11. The project's accounts (books of account) provide the basis for the preparation of the PFS and are established to reflect the financial transactions of the PIU.

### **C. SCOPE OF SERVICES**

12. The audit will be carried out in accordance with International Standards of Auditing and will include such tests and controls as the auditor considers necessary. In conducting the audit, special attention should be paid to the following:

- (i) All funds provided by the ADB have been used in accordance with the conditions of the relevant loan agreements, with due attention to economy and efficiency, and only for the purposes for which the loans were granted;
- (ii) Counterpart funds have been provided and used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- (iii) Goods and services have been procured in accordance with ADB's loan agreements;
- (iv) All necessary supporting documents, records, and accounts have been kept in respect of all projects ventures (including expenditures reported using statement of expenditures and imprest fund procedures);
- (v) All imprest accounts have been maintained in accordance with the provisions of the relevant loan agreements;
- (vi) The PIU's accounts have been prepared in accordance with consistently applied International Financial Reporting Standards (IFRS) and give a true and fair view of the financial situation of the PIU as at the end of the fiscal year ended 31 December 2013 and 31 December 2014 of the expenditures of the PIU for such fiscal year;
- (vii) Confirm (or otherwise) the PIU's compliance with any relevant covenants in the loan agreements and with ADB's specific requirements with respect to the financial management of the Project;
- (viii) Provide a statement on the scale, effectiveness, and reliability of the accounting and administrative procedures of the PIU;
- (ix) Verify financial and administrative internal systems controls; and
- (x) Define areas of improvement in the PIU's systems (e.g., improvements in accounting and data processing operations).

### **D. PIU's FINANCIAL STATEMENTS**

13. The PFS of the PIU should include a Statement of Sources and Uses of Funds, and Summary of Expenditures, and a Balance Sheet.

14. The PFS should also include a reconciliation between the amounts shown as "received from ADB" and the actual expenditures incurred.

### **E. STATEMENTS OF EXPENDITURES**

15. In addition to the audit of the PFS, the auditor is also required to audit all SOEs used as the basis for the submission of withdrawal applications. The auditor should apply such tests and controls as the auditor considers necessary. These expenditures should be carefully compared for project eligibility with relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these

should be separately noted by the auditor. Annexed to the PFS should be a schedule listing individual SOE withdrawal applications by specific reference number and amount.

## **F. IMPREST FUND**

16. In conjunction with the audit of PFS, the auditor is also required to audit the activities of the imprest funds created under the Program loan agreements (with the exception of second generation imprest accounts held by each PCB). Imprest funds usually comprise:

- (i) Deposits and replenishments received;
- (ii) Payments substantiated by withdrawal applications;
- (iii) Interest earned from the balances; and
- (iv) The remaining balance at the end of the fiscal year.

17. The auditor must form an opinion as to the degree of compliance with ADB's procedures and the balances of the imprest funds at year-end. The audit should examine the eligibility and correctness of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the imprest funds in accordance with the financing agreement, and the adequacy of internal controls for this type of disbursement mechanism.

## **G. AUDIT OPINION**

18. Besides a primary opinion on the PFS, the annual reports of the PIU's accounts should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures and the extent to which ADB can rely on the SOEs as a basis for loan disbursement, as well as a separate audit opinion on the imprest funds.

## **H. MANAGEMENT LETTER**

19. In addition to the audit reports, the auditor will prepare a "management letter" in which the auditor will:

- (i) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- (ii) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- (iii) communicate matters that have come to attention during the audit which might have significant impact on the implementation of the Program; and
- (iv) bring to the borrower's attention any other matters that the auditor considers pertinent.

## **I. AUDIT REPORT**

20. The Auditor's Report shall also provide an opinion as to whether:

- (i) the proceeds of the ADB loan or grant have been utilized only for the Project in accordance with the financing agreement;
- (ii) the financial information contains data specifically agreed upon between the borrowers (Uzbek Republic) and ADB "as being necessary for inclusion in the financial statements;

- (iii) the use of Statement of Expenditures conform-to ADB's requirements;
- (iv) the financial information complies with relevant regulations and statutory requirements; and
- (v) relevant financial covenants and assurances given by the borrower been complied with.

21. The audit report shall also specifically include an opinion of the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to Which ADB can rely on "those SOE's as a basis for loan/grant disbursement.

22. The Auditor shall provide the-following final reports to PIU, with copies to ADB, not later than 30 days after of commencement of the audit.

23. The Audit Report incorporating the Audit Opinion on the Annual Project Accounts and confirmation of the compliance, or otherwise, of the specified covenants and assurances.

## **J. GENERAL**

24. The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the PIU. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the company. As part of the audit process, the auditor may request from management written confirmation concerning representations made to the auditor in connection with the audit.

25. The PIU will cooperate fully with the auditor and will make available to the auditor whatever records, documentation, and other information is requested by the auditor in connection with the audit. The auditor should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed by ADB.

26. All financial statements referred to above, including the audit opinions thereon, and the management letter should be received by the PIU and ADB no later than six months after the end of the accounting period to which the audit refers.

27. The auditor should be familiar with the ADB's Loan Disbursement Handbook.

28. The financial statements and auditor's opinion thereon shall be submitted in both Russian and English.

## **TERMS OF REFERENCE FOR PARTICIPATING COMMERCIAL BANKS' (PCBs) FINANCIAL STATEMENTS**

### **GUIDANCE TO PARTICIPATING COMMERCIAL BANKS IN PREPARATION OF TERMS OF REFERENCE FOR AUDIT UNDER HOUSING FOR INTEGRATED RURAL DEVELOPMENT INVESTMENT PROGRAM**

#### **Introduction and General Background**

1. [Name of PCB] has borrowed funds from the Republic of Uzbekistan (Uzbekistan) that, in turn, Uzbekistan has borrowed from Asian Development Bank (ADB) pursuant to a Framework Financing Agreement entered into between ADB and Uzbekistan for the Housing for Integrated Rural Development Investment Program. In addition, [Name of PCB] has entered into one or more project agreements with ADB (Project Agreements).

2. In accordance with the terms of the Project Agreement(s), [Name of PCB] must annually prepare and submit to ADB:

- (i) entity level audited financial statements,
- (ii) management letter,
- (iii) audited Statement of Utilization of Funds, and
- (iv) Specific audit assurances for each financial reporting period relating to, (a) the use of the loan proceeds only for the purposes of the project, (b) compliance with the financial covenants of the loan and project agreements, (c) the use of the imprest accounts, and (d) use of the statement of expenditures. Please refer to Attachment 1.

However, a specific audit assurance with regard to compliance with the financial covenants of the loan and project agreements will not be required, if these are disclosed in the notes to the financial statements of the [NAME OF PCB].

#### **Employing Authority or Entity**

3. The audit services will be contracted by: 18A, Navoiy str., Tashkent, 100011, Republic of Uzbekistan.

#### **Delivery of Opinions and Reports**

4. For Loan \_\_\_\_, the auditor will provide the following opinions and reports to [NAME OF PCB] management (with copies to ADB), in accordance with the following timeframes:

- Audit opinion on Statement of Utilization of Funds for the period from 20 April 2012 to 31 December 2012 under ISA 800 (See template in Attachment 2);
- Audit opinion on Statement of Utilization of Funds for the period from 1 January 2013 to 31 December 2013 under ISA 800 (See template in Attachment 2);
- Audit opinion on Statement of Utilization of Funds for the period from 1 January 2014 to 31 December 2014 under ISA 800 (See template in Attachment 2);
- Specific audit assurances on (a) the use of the loan proceeds only for the purposes of the project, (b) compliance with the financial covenants of the loan and project agreements, (c) the use of the project imprest accounts, and (d) use of the statement of expenditures using ISAE 3000 for the period from 1 January 2013 to 31 December 2013;
- Specific audit assurances on (a) the use of the loan proceeds only for the purposes of the project, (b) compliance with the financial covenants of the loan and project

agreements, (c) the use of the project imprest accounts, and (d) use of the statement of expenditures using ISAE 3000 for the period from 1 January 2014 to 31 December 2014; and

- Management Letter relating to [NAME OF PCB].

5. For Loan 3039, the auditor will provide the following opinions and reports to [NAME OF PCB] management (with copies to ADB), in accordance with the following timeframes:

- Audit Opinion on Annual Financial Statements of [NAME OF PCB] for the year ended 31 December 2014 as per ISA 700;
- Audit opinion on Statement of Utilization of Funds for the period from 24 October 2013 to 31 December 2013 under ISA 800 (See template in Attachment 2);
- Audit opinion on Statement of Utilization of Funds for the period from 1 January 2014 to 31 December 2014 under ISA 800 (See template in Attachment 2);
- Specific audit assurances on (a) the use of the loan proceeds only for the purposes of the project, (b) compliance with the financial covenants of the loan and project agreements, (c) the use of the project imprest accounts, and (d) use of the statement of expenditures using ISAE 3000 24 October 2013 to 31 December 2013;
- Specific audit assurances on (a) the use of the loan proceeds only for the purposes of the project, (b) compliance with the financial covenants of the loan and project agreements, (c) the use of the project imprest accounts, and (d) use of the statement of expenditures using ISAE 3000 1 January 2014 to 31 December 2014; and
- Management Letter relating to [NAME OF PCB].

6. All reports must be provided in the English language no later than 30 June 2015.

## **Objectives**

7. The primary objective of the audit is to enable the auditor to express an independent opinion on whether the Statement of Utilization of Funds presents fairly, in all material respects sub-loans funded by ADB in accordance with agreed accounting standards, for the periods 20 April 2012 to 31 December 2012, 1 January 2013 to 31 December 2013 and 1 January 2014 to 31 December 2014 for Loan-2775, and 24 October 2013 to 31 December 2013 and 1 January 2014 to 31 December 2014 for Loan-3039.

8. Secondary objectives include confirming compliance, or otherwise, with: (i) each financial covenant contained in the legal documents for the project (see paragraph 4 of Attachment 1), and (ii) all other financial assurances (see paragraph 8 of Attachment 1) contained in the legal documents for the project.

## **Description of [NAME OF PCB]**

9. JSC “Qishloq Qurilish Bank” was incorporated on March 30, 2009 under the Resolution of the President of the Republic of Uzbekistan dated March 30, 2009. the bank was established on the base of the former OJSC “Gallabank”, which was incorporated on August 2, 1994. A significant portion of the bank’s activities are related to its role as a government agent in improving the living conditions of the rural population and financing construction in villages, acceleration of the development of the industrial and social infrastructure in the rural areas by issuing long-term mortgage loans to residents living in such areas.

## Description of Materials and Timing of Delivery

10. The AFS and supporting documentation will be provided to the auditor on the following estimated dates: 1 June 2015.

## Audit Scope

11. **Auditing Standards and Program.** The audit will be carried out in accordance with the agreed auditing standards, including professional or general standards, standards of fieldwork, and reporting standards. The audit program will consider the risk of material misstatements resulting from fraud or error. It should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.

12. **Internal Control Systems.** The auditor will assess the adequacy of financial management systems, including internal controls. The auditor should communicate with independent board members (where present). Among other things, this dialogue should cover the adequacy of bad-debt provisions, contingent liabilities, related-party transactions, internal control systems, management and board reporting, and management systems, integrity and capability.

13. **Accounting Policies and Changes.** The auditor should comment on the entity's accounting policies, and confirm the extent to which the agreed accounting standards have been applied. In particular, the auditor should note the impact on the Statement of Utilization of Funds arising from any material deviations from agreed accounting standards. The auditor should also comment on any material accounting policy changes, either during a financial year, or from one year to another.

14. **Compliance with Financial Covenants.** The auditor will confirm compliance with each financial covenant contained in the legal documents for the project (as specified in Attachment 1, paragraph 4). Where present, the auditor should indicate the extent of any noncompliance by comparing required and actual performance measurements for each financial covenant for the financial year concerned.

15. **Compliance with Financial Assurances.** The auditor will confirm compliance with all financial assurances contained in the legal documents for the project (as specified in Attachment 1, paragraph 8). Where present, the auditor should indicate the extent of any noncompliance by comparing required and actual performance of the [NAME OF PCB] in respect of these ADB requirements for the financial year concerned.

## Management Letter

16. On conclusion of the audit, the auditor will prepare a management letter, detailing:
- Any material weaknesses in the accounting and internal control systems that were identified during the audit, including those regarding SOEs and Imprest Accounts;
  - Recommendations to rectify identified weaknesses;
  - Status of significant matters raised in previous management letters and any corrective actions taken by the organization;
  - Practical recommendations on the steps that the organization could take to become materially compliant with the agreed accounting standards, together with a time frame for making these changes;

- Any other matters that the auditor considers should be brought to the attention of the organization's management; and
- Any significant matters that the auditor considers should be brought to [NAME OF PCB]'s attention who will then disclose to ADB.

### **Statement of Access**

17. The auditor will have full and complete access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the project and deemed necessary by the auditor. The auditor will be provided with full cooperation by all employees of [NAME OF PCB] whose activities involve, or may be reflected in, the annual financial statements.

### **Independence**

18. The auditor will be impartial and independent from any aspects of management or financial interest in the entity under audit. In particular, the auditor should be independent of the control of the entity. The auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditor should not have any close personal relationships with any senior participant in the management of the entity. The auditor must disclose any issues or relationships that might compromise their independence.

### **Auditor and Audit Staff Competence**

19. The auditor must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size, and complexity to the entity whose audit they are to undertake.

### **Submission of Proposal and Work Plan**

20. Audit firm invited to submit a proposal and a work plan to provide the audit services described here, should indicate in its proposal, among other things:

- The extent (if any) that audit firm would not conform to the agreed auditing standards and indicate any alternative standards to which the auditor may (be required to) conform.
- Whether the audit would be conducted as a completed audit (i.e., will the audit firm carry out the audit after financial year-end, when the books of account are, or are being, closed).
- Whether an audit carried out after the close of a financial year would be supplemented by one or more interim audits during a financial year. The principal purpose is to test ongoing systems and internal controls, and to relieve pressure on the staff of the entity and on the auditor at year-end.
- The manner in which the auditor proposes to address any statutory requirements relating to audit (e.g., certifications relating to shareholders' equity required under the companies' act) or to which they may be implicitly bound by contractual obligations of the employer (e.g., ADB auditing requirements, Statements of Expenditure, Imprest Accounts).

- Procedural requirements for certain verification procedures (e.g., checking of stocks, inventories, assets, etc.).
- Specific actions required on the part of the employer (e.g., access to computer systems and records, disclosures).
- Discussions before signing the opinion and report on any matters arising from the audit, and with whom these discussions would be held.
- The timetable for provision of opinions and reports.

## **Disclosure**

As per Article IV, Section 4.05(b) of Loan-3039, “ADB shall disclose the annual audited financial statements (Statement of Utilization of Funds) for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB’s website.” For the avoidance of doubt, the annual audited financial statements for the Project and the opinion of the auditors on the financial statements will not be disclosed for Loan-2775.

## **Terms and Definitions**

### **1. [NAME OF PCB]’s Annual Financial Statements (AFS)**

The PCB will prepare Annual Financial Statements (AFS). The Annual Financial Statements (AFS) comprise:

- Statement of Accounting Policies,
- Statement of Financial Performance (or income statement),
- Statement of Financial Position (or balance sheet),
- Statement of Movements in Equity,
- Statement of Cash Flows, and
- Notes to the Financial Statements.

### **2. Statement of Utilization of Funds:**

21. [NAME OF PCB]’s will prepare additionally to AFS:

- Statement of Utilization of Funds; and
- Notes to the Statement of Utilization of Funds.

### **3. Agreed Accounting Standards**

22. “Agreed accounting standards” regarding the preparation of the AFS, means:

- For AFS - the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (commonly known as international accounting standards);
- For Statement of Utilization of Funds—a statement prepared in accordance with the cash receipts and disbursements basis of accounting. See template in Attachment 2..

### **4. Agreed Auditing Standards**

23. “Agreed auditing standards” means:

- For AFS - the International Standards on Auditing (ISA) promulgated by the International Auditing and Assurance Standards Board (IAASB).

- For Statement of Utilization of Funds - the International Standards on Auditing (ISA) promulgated by the International Auditing and Assurance Standards Board (IAASB)
- For use of loan proceeds and compliance with loan and project financial covenants – International Standard on Assurance Engagements (ISAE) 3000.

**5. Financial Covenants Applicable to [NAME OF PCB]**

24. The financial covenants, regarding [NAME OF PCB] are reflected in paragraph 4 of Attachment 1 to this TOR [please see page 7 onwards].

**6. Financial Assurances Applicable to [NAME OF PCB]**

25. The financial assurances, regarding [NAME OF PCB], have been given in paragraph 8 of Attachment 1 to this TOR.

## Attachment 1

## SPECIFIC REQUIREMENT FOR AUDIT OF PARTICIPATING COMMERCIAL BANK'S COMPLIANCE WITH PROJECT AGREEMENT

### A. BACKGROUND

1. In order to improve the quality of life of the rural population through the construction of modern individual housing based on approved design, utilities, and social infrastructure, on 31 August 2011, the Board of Directors of the Asian Development Bank (ADB) approved multi-Project financing for the Housing for Integrated Rural Development Investment Program (Program) in the amount of \$500 million.

2. In accordance with the Framework Financing Agreement between the Republic of Uzbekistan (Uzbekistan) and ADB, (i) ADB makes a series of loans to Uzbekistan, each of which is governed by a separate loan agreement (Loan Agreement) and (ii) mortgage loans (Subloans) to eligible homebuyers (Qualified Subborrowers) are made through participating commercial banks (s) that, in turn, borrow funds from Uzbekistan in accordance with one or more subsidiary loan agreements (SLAs) with Uzbekistan. Each Participating Commercial bank (PCB) has also entered into one or more project agreements (Project Agreements) with ADB.

3. **Use of loan proceeds covenant.** Each Project Agreement provides, in relevant part, that "the proceeds of the Loan shall be used only for making Subloans to qualified Subborrowers for Qualified Subprojects and shall be applied exclusively to the cost of expenditures required to carry out the Qualified Subproject.

4. **Financial covenants.** Each Project Agreement contains three financial covenants which each PCB must maintain:

- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organization for Economic Cooperation and Development) plus off-balance sheet contingencies;
- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year – divided by two, expressed as a percentage; and
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio.

5. In addition, each PCB must have: (a) experience in mortgage lending; and (b) a branch network that provides financial services to rural areas.

6. **Imprest account and statement of expenditures procedures.** The imprest fund and statement of expenditure procedures set forth in ADB's Loan Disbursement Handbook (2012, as amended from time to time)<sup>1</sup> are used to request disbursements and account for funds received under the terms of the SLA.

## B. OBJECTIVES

7. The objective of the engagement is to enable the practitioner to reach a reasonable assurance conclusion on [NAME OF PCB]'s (i) use of ADB loan proceeds, (ii) compliance with financial covenants, (iii) compliance with the use of the procedures for imprest account and statement of expenditures, for the periods 1 January 2013 to 31 December 2013 for Loan-2775, and 24 October 2013 to 31 December 2013 and 1 January 2014 to 31 December 2014 for Loan-3039.

## C. SCOPE OF SERVICES

8. This reasonable assurance engagement will be undertaken in accordance with International Standard on Assurance Engagements (ISAE) 3000, and will involve a positive form of expression of the practitioner's conclusion, in accordance with ISAE 3000, as to whether for, for the periods 1 January 2013 to 31 December 2013 for Loan-2775, and 24 October 2013 to 31 December 2013 and 1 January 2014 to 31 December 2014 for Loan-3039.:

- a. ADB funds have been used only for the purposes for which the funds were provided as defined in Article III (paragraphs 3.03[a], 3.03[b] and 3.05), Schedule 1 (paragraphs 1[a] and 2[a]), and Schedule 5 (paragraphs 2[a], 2[b], 3[a], 4[a], 4[b], 5, and 6)<sup>2</sup> of the Loan Agreement dated 16 February 2012 (Loan Number 2775-UZB);
- b. ADB funds have been used only for the purposes for which the funds were provided as defined in Article III (paragraphs 3.03[a], 3.03[b] and 3.05), Schedule 1 (paragraphs 1[a] and 2[a]), and Schedule 5 (paragraphs 3[a], 3[b], 3[d], 4[a], 5[a], 5[b], 5[c], 6, and 7)<sup>3</sup> of the Loan Agreement dated 11 October 2013 (Loan Number 3039-UZB);
- c. [NAME OF PCB] has complied with the financial covenants in the Loan Agreement(s) (Schedule 5, paragraph 7 of Loan-2775 and Schedule 5, paragraph 8 of Loan-3039). Where noncompliance is present, the auditor should indicate the extent of noncompliance by comparing required and actual performance measurements for each financial covenant for the financial year concerned;
- d. [NAME OF PCB] has complied with the imprest account procedures (to confirm or otherwise, whether the imprest account gives a true and fair view of the

<sup>1</sup> Available at: <http://www.adb.org/sites/default/files/loan-disbursement-handbook.pdf> (English) and <http://www.adb.org/sites/default/files/loan-disbursement-handbook-ru.pdf> (Russian). Note that Section 3, Disbursement Policy, para 3.2 of the Loan Disbursement Handbook (2012 as amended from time to time) specifies that "the borrower can withdraw loan funds only for eligible expenditures incurred after the loan agreement becomes effective, unless retroactive financing is provided in the loan agreement."

<sup>2</sup> For the convenience of the reader, these are set out in the Annex to this Attachment.

<sup>3</sup> For the convenience of the reader, these are set out in the Annex to this Attachment.

- receipts collected and payments made and supports imprest liquidations and replenishments during the year); and
- e. [NAME OF PCB] has complied with statement of expenditure procedures, including confirming or otherwise, whether adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under one of the loan agreements between ADB and Uzbekistan.

However, a specific audit assurance with regard to compliance with the financial covenants of the loan and project agreements will not be required, if these are disclosed in the notes to the financial statements of [NAME OF PCB]

## **D. GENERAL**

9. The management of [NAME OF PCB] is responsible for the preparation of financial information. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the company. As part of the engagement process, the practitioner may request from management written confirmation concerning representations made to the practitioner in connection with the assurance engagement.

10. [NAME OF PCB] will cooperate fully with the practitioner and will make available to the practitioner whatever records, documentation, and other information is requested by the practitioner in connection with the engagement. The practitioner should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the practitioner. Confirmation should also be obtained of amounts disbursed by ADB.

11. The practitioner should be familiar with the ADB's Loan Disbursement Handbook.

12. The practitioner should comply with the requirements of Parts A and B of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants.

13. The practitioner's assurance report shall be submitted to ADB in English by 30 June 2015.

## **ANNEX: EXCERPTS FROM EACH LOAN AGREEMENT**

### **ARTICLE III Use of Proceeds of the Loan**

Section 3.03. (a) The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

i. Notwithstanding the generality of subsection (a) hereinabove and except as ADB may otherwise agree, the proceeds of the Loan described in Section 3.01(a) of this Loan Agreement shall be used only for making Subloans to Qualified Subborrowers for

Qualified Subprojects and shall be applied exclusively for the financing of expenditures under Part 1 of the Project.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.05. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

## **SCHEDULE 1**

### **DESCRIPTION OF THE PROJECT**

1. The objective of the Investment Program is to improve housing for targeted beneficiaries in the rural communities through financing projects aimed to:

- (a) finance housing loans provided by PCBs to targeted beneficiaries for their purchase of new residential housing under the Rural Housing Scheme;
- (b) improve capacity of local governments to prepare integrated rural development plans and investment promotion strategies; and
- (c) improve enabling environment for rural micro and small sized enterprises.

2. As a part of the Investment Program, the Project shall support:

- (a) financing of housing loans provided by the PCBs to targeted beneficiaries for their purchases of new residential housing under the Rural Housing Scheme of the Borrower ("Part 1"); and
- (b) capacity development of local governments, the MOE, the PCBs and related bodies, improvement of enabling environment for rural micro and small sized enterprises, and project management support ("Part 2").

### **Loan \_\_\_\_ - Schedule 5: Execution of Project; Financial Matters**

#### Qualified Subborrower

2. The Borrower shall cause [NAME OF PCB] to ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria:

- (a) he/she is a citizen, and resident of a rural area, of the Borrower;
- (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject; and

- (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage).

### Qualified Subproject

3. The Borrower shall cause [NAME OF PCB] to ensure that each Qualified Subproject meets the following eligibility criteria:

- (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing; and
- (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 8 to 12 and 15 of this Schedule.

### Subloan

4. The Borrower shall cause [NAME OF PCB] to ensure that each:

- (a) Subloan made by [NAME OF PCB] in 2012 shall charge interest at the rate of 7% per annum and have a term of 15 years, including a grace period of 12 months;

Subloan made by [NAME OF PCB] in 2013 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 10 years and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years; and

- (b) Subloan shall not exceed \$50,000 equivalent.

5. The Borrower shall cause [NAME OF PCB] to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQL activities under the Rural Housing Scheme.) Each such Subloan approved by [NAME OF PCB], for which a loan agreement is entered into between the [NAME OF PCB] and a Qualified Subborrower, in 2013 shall comprise 70% of its amount from [NAME OF PCB]'s funds and 30% of the amount from the proceeds of the Loan relented by the Borrower to [NAME OF PCB].

6. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.

### Financial Covenants

7. [NAME OF PCB] shall remain financially sound throughout the Project implementation period. Specifically, [NAME OF PCB] shall:

- (a) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory

capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organization for Economic Cooperation and Development) plus off-balance sheet contingencies;

- (b) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year – divided by two, expressed as a percentage; and
- (c) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio.

### **Loan 3039 - Schedule 5: Execution of Project; Financial Matters**

#### Qualified Subborrower

3. The Borrower shall cause [NAME OF PCB] to ensure that each Qualified Subborrower shall meet and maintain the following eligibility criteria:

- (a) he/she is a citizen, and resident of a rural area, of the Borrower;
- (b) he/she agrees to use the Subloan only for the financing of his/her Qualified Subproject and he/she is only entitled to 1 Qualified Subproject for the purposes of this Investment Program;
- (c) he/she meets the middle-income, or low-income, threshold of the Rural Housing Scheme (to be defined annually as a multiple of the national minimum wage); and
- (d) he/she agrees to occupy, and not to sell or transfer ownership of, the house purchased under his/her Qualified Subproject for at least 5 years from the date he/she receives the legal title to the house.

#### Qualified Subproject

4. The Borrower shall cause [NAME OF PCB] to ensure that each Qualified Subproject meets the following eligibility criteria:

- (a) the Qualified Subproject is for the purchase by the Qualified Subborrower of a house under the Rural Housing Scheme of the Borrower; and
- (b) the Qualified Subproject shall adhere to the safeguards requirements set forth in paragraphs 9 to 15 of this Schedule.

### Subloan

5. The Borrower shall cause [NAME OF PCB] to ensure that:

- (c) each Subloan made by [NAME OF PCB] in 2013 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 10 years and equal to the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 5 years;
- (d) each Subloan made by a [NAME OF PCB] in 2014 shall: (i) have a term of 15 years, including a grace period of 12 months; and (ii) charge interest at the rate of 7% per annum for the first 5 years and equal to 90% of the market rate (wherein the CBU refinancing rate will be used as a proxy) for the remaining 10 years; and
- (e) all Subloans shall not exceed \$50,000 equivalent.

8. The Borrower shall cause [NAME OF PCB] to ensure that for each Qualified Subproject, at least 25% of the subproject costs shall be paid by the Qualified Subborrower. The remainder of such costs shall be financed by way of a Subloan. (For the avoidance of doubt, the Subloan shall not finance any costs relating to QQL activities under the Rural Housing Scheme.) Each such Subloan approved by [NAME OF PCB], for which a loan agreement is entered into between [NAME OF PCB] and a Qualified Subborrower, in 2013 shall comprise 70% of its amount from [NAME OF PCB]'s funds and 30% of the amount from the proceeds of the Loan relented by the Borrower to [NAME OF PCB]. Each such Subloan approved by [NAME OF PCB] in 2014 shall comprise 50% of its amount from [NAME OF PCB]'s funds and 50% of the amount from the proceeds of the Loan relented by the Borrower to [NAME OF PCB].

9. In the event that any eligibility criteria for a Qualified Subborrower, Qualified Subproject or Subloan is not complied with, whether at the time of Subloan approval or thereafter, ADB reserves the right to exclude such Subloan from the Project.

### Financial Covenants

10. [NAME OF PCB] shall remain financially sound throughout the Project implementation period. Specifically, [NAME OF PCB] shall:

- (d) maintain a capital adequacy ratio of not less than 12%. For the purpose of this subparagraph, capital adequacy ratio means the ratio of regulatory capital to risk assets, expressed as a percentage. Regulatory capital means the aggregate of equity share capital, general reserves and subordinate debt. Risk assets mean the aggregate of total assets less risk-free assets (i.e. cash in hand, with CBU and other banks, and holdings of securities issued by the Borrower and by governments of countries of the Organization for Economic Cooperation and Development) plus off-balance sheet contingencies;
- (e) maintain a return on average assets ratio of not less than 0.5% for each of the last two completed fiscal years. For the purpose of this subparagraph, return on assets ratio means the division of net profit by

the sum of the total assets at the end of the year in issue and the total assets at the end of the previous year – divided by two, expressed as a percentage; and

- (f) ensure that its non-performing loans (i.e. debts requiring 100% loan-loss provisioning as defined by CBU) are less than 5% of its total loan portfolio.

## Attachment 2

**PRESENTATION REQUIREMENTS FOR THE STATEMENT OF UTILIZATION OF FUNDS  
FOR THIS ENGAGEMENT**

**PROJECT NAME: HOUSING FOR INTEGRATED RURAL DEVELOPMENT INVESTMENT  
PROGRAM**

**SPECIAL PURPOSE STATEMENT OF UTILIZATION OF FUNDS FOR YEARS ENDED 31  
DEC 2012, 31 DEC 2013 AND 31 DEC 2014 RESPECTIVELY**

LOAN	DETAILS	NOTES	APRIL 20- DEC 31, 2012	JAN 1 – DEC 31, 2013	JAN 1- DEC 31, 2014	CUMULATIVE TO DATE
PROJECT 1 (LOAN _____)	OPENING BALANCE					
	RECEIVED FROM MOF					
	LOANS TO SUB- BORROWE RS					
	CLOSING BALANCE					
				24 OCT 2013 TO DEC 31, 2013	JAN 1 – DEC 31, 2014	CUMULATIVE TO DATE
PROJECT 2 (LOAN 3093)	OPENING BALANCE					
	RECEIVED FROM MOF					
	LOANS TO SUB- BORROWE RS					
	CLOSING BALANCE					

**INDICATIVE NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENT**

**1. BACKGROUND, NATURE OF OPERATIONS AND ACTIVITIES**

{Briefly describe and confine to pertinent information e.g. [NAME OF PCB] has received financial assistance from the Ministry of Finance in the form of a loan amounting to \$XX million to finance the Housing for Integrated Rural Development Investment Program. [NAME OF PCB] received \$XX million under Project 1 and \$ XX million under Project 2 of this Program}.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The Special Purpose Statement of Utilization of Funds (Statement) has been prepared in accordance with the cash receipts and disbursements basis of accounting. Accordingly, they are prepared for the special purpose of the project management and ADB in accordance with the agreements between the Government of Uzbekistan and ADB.

The accounting policies have been applied consistently throughout the period XX.

## 3. REPORTING PERIOD

The Statement applies to the fiscal years ended 31 December 2012, 31 December 2013 and 31 December 2014 respectively.

## 4. REPORTING CURRENCY

The currency of reporting is Som. All financial transactions are denominated in Som. PCB received a loan from the Ministry of Finance in Som. The amount in Som is directly transferred from the Ministry of Finance to the account of [NAME OF PCB].

## 5. CASH AND CASH EQUIVALENTS

Opening and closing balances within the Statement of Utilization of Funds represent cash and cash equivalents. Cash and cash equivalents represent the balance remaining in the Imprest Account held with the Bank.

## UZB: Housing for Integrated Rural Development Investment Program

### TERMS OF REFERENCE TECHNICAL AND FINANCIAL PERFORMANCE REVIEW (TFPR)

#### A. Background

1. The Government of Uzbekistan launched the Rural Housing Scheme (RHS) in 2009, the “Year of Development and Improvement of the Village”. Affordable housing finance is offered to rural households for the purchase of new modern houses built under the scheme. During the first two years of the RHS, a total of 7,647 new rural houses were built: 847 in 2009 and 6,800 in 2010.

2. In 2011, the Housing for Integrated Rural Development (HIRD) Investment Program (the Program) was initiated with ADB support for a five-year extension of the RHS and construction of 40,800 new rural houses nationwide.<sup>4</sup> The Program, with the support of ADB, seeks to achieve more inclusive growth through improved rural living standards and livelihood opportunities. ADB support is provided through a multitranche financing facility (MFF) comprised of a series of financial intermediation loans.

3. To improve rural living conditions and create new rural job and livelihood opportunities, HIRD helps improve rural housing and improve the investment climate in rural areas under three components: Component 1—Rural Housing Loans for New Rural Housing, Component 2—Improving *Hokimiyat* (Local Government) Capacity, and Component 3—Improving the Enabling Environment for Micro and Small Enterprises. Under Component 1, the proceeds of financial intermediation loans are used by participating commercial banks (PCBs) to help finance affordable housing loans for the purchase of new modern rural housing. Housing loans are targeted to moderate- to low-income households, young families, single-headed households, and rural teachers and health workers (two occupations in which women predominate). Under Component 2, the capacity of *Hokimiyats* will be improved to develop and implement integrated rural development plans and investment promotion strategies that will focus on creating rural jobs. Under Component 3, the enabling environment for rural micro and small enterprises will be strengthened. Components 2 and 3 are fully government-funded. ADB also helps fund a program implementation unit and monitoring of results under Components 2 and 3.

4. HIRD will strengthen the construction sector by:

- a. Improving national building and construction standards;
- b. Stimulating the building materials and residential construction sectors to produce and use materials and construction techniques that utilize new technologies and offer greater energy efficiency; and
- c. Exploring housing finance options, lower cost design options, and more cost effective construction approaches and construction materials.

<sup>4</sup> By revision of the MFF agreed on 5 September 2013, the total houses to be financed is 45,900.

## B. Scope of Work

5. To support preparation of a strategy and prioritized action plan for accelerating environmentally sustainable development of the rural housing and residential construction sectors, an integrated assessment is to be undertaken that comprises: (i) a technical and financial performance review (the Review) of RHS implementation; and (ii) three cross-cutting studies. The Review and studies will identify opportunities and assess global and regional best practices for residential construction that are relevant for Uzbekistan. Close coordination of the Review and studies is required to identify pragmatic opportunities, address cross-cutting issues, and ensure synergy among interrelated outcomes.

6. **Technical and Financial Performance Review.** The Technical and Financial Performance will review new houses constructed in 2009, 2010, and 2011 to provide a baseline for HIRD improvements. The Review will focus on (i) assessing value for money to identify lower cost and green or more energy efficient design options, and (ii) assessing construction to determine the potential for improving house designs and construction quality by taking into account global advancements in construction technology and construction materials relevant for the Uzbek context. A more detailed scope of work and specific terms of reference for the Review are presented in Annex 1.

7. **Study 1: Affordable Lower Cost Housing.** To increase value for money and improve affordability for lower income rural Uzbek families, the first study will examine (a) housing finance options affordable for lower income rural households, and (b) options for lower cost housing construction, i.e., lower cost house designs and/or greater cost effective construction technologies or construction materials. A more detailed scope of work and specific terms of reference for Study 1 are presented in Annex 2.

8. **Study 2: Green Housing and Communities.** To stimulate the building materials and residential construction sectors and improve environmental sustainability of HIRD houses and rural communities, the second study will focus on (a) identifying and assessing affordable green and energy efficient options relevant for Uzbekistan (geography, climate, and social/cultural traditions), (b) assessing market interest and readiness for scaling up of production, and (c) preparing business cases that take into account benefits and life cycle costs of proposed options that will be used for policy dialogue and marketing purposes. A more detailed scope of work and specific terms of reference for Study 2 are presented in Annex 3.

9. **Study 3: Improving Construction Quality, Advancing Standards and Strengthening Oversight.** To advance Uzbek national building and construction standards and improve construction quality of HIRD houses, the third study will focus on (a) assessing existing building and construction standards to determine revisions required to support implementation of lower cost/green design/construction technology/material improvements and use global and regional best practices that are relevant for Uzbekistan; and (b) reviewing and assessing residential construction oversight, inspection, and handover policies and processes. A more detailed scope of work and specific terms of reference for Study 3 are presented in Annex 4.

## C. Outputs and Timing

10. A six-month implementation schedule is estimated for the Review and the three studies, including home office preparatory work, in-country field surveys and assessments, post field work, and report preparation. The work is expected to commence in January 2014, with inception reports for the Review and each study submitted in February 2014, draft final reports

for the Review and each study submitted in May 2014. and the final reports for the Review and each study submitted in June 2014.

**D. Team Experience and Skill Requirements**

11. A multidisciplinary team will be required to undertake this work. The amplified EOIs will be required to submit the experts required to complete this assignment.

**E. Consultant Recruitment**

12. Recruitment will be through Consultant's Qualification Selection (CQS).

**F. Budget**

13. The estimated budget is \$250,000.

## **ANNEX 1: TECHNICAL AND FINANCIAL PERFORMANCE REVIEW**

### **A. BACKGROUND**

#### **a. General**

1. In order to improve the quality of life of the rural population through the construction of modern individual housing based on approved typical design, utilities, and social infrastructure, on 31 August 2011, the Board of Directors of the Asian Development Bank (ADB) approved multitranche financing for the Housing for Integrated Rural Development Investment Program (Program) for \$500 million, of which loans in the amount of \$497.5 million will be used for the component "housing finance credit line," and \$2.5 million will be used for implementation of the component "capacity development and project management support".
2. In accordance with the Framework Financing Agreement between the Republic of Uzbekistan and ADB, funding of the Program shall be made in several Projects, each of which shall have its own financing agreement.

#### **b. Project Goals**

3. The investment program "housing development in rural areas" is a multipurpose program for achieving more inclusive growth by improving peoples' quality of life and livelihoods. The program focuses on improving access to rural housing and improving the investment climate in rural areas, as a catalyst to improve the conditions of life and the creation of new jobs and livelihoods in rural areas. The Program includes a series of Projects to help finance the purchase of new and modern rural housing for subborrowers with low and middle income (young families, teachers and health workers, and other qualified professionals). The program also supports capacity building of local authorities (*hokimiyats*) to implement integrated rural development and investment promotion strategy aimed at creating jobs in rural areas, and the creation of an enabling environment for rural micro and small enterprises (MSEs).

#### **c. Outputs and Components**

4. Expected results of the program will be achieved through three ways:
  - (i) Loans offered by participating commercial banks (PCBs) to socially targeted creditworthy subborrowers for the purchase of new housing in rural areas (Component 1);
  - (ii) Strengthening the capacity of local governments (*hokimiyats*) to prepare and implement integrated rural development and investment promotion strategies (Component 2); and
  - (iii) Creating favorable conditions for the MSEs to expand or create new businesses in rural areas (Component 3).

#### **d. Implementation Arrangements**

##### **(i) Program Management**

5. The Program is being implemented over 4 years, beginning in 2012. The Ministry of Economy (MOE) is the executing agency of the Program. PCBs are the

implementing agencies for Output 1. MOE is the implementing agency for Outputs 2 and 3. MOE established a program implementation unit (PIU), which is providing technical support to the Program, implementing the Program's capacity development activities, monitoring and evaluating implementation of the Program, and implementing Outputs 2 and 3. The Project Manager was appointed by decision of the Interagency Council of the Cabinet of Ministers and an order of the Minister of Economy.

**(ii) Procurement**

6. All ADB-financed procurement of goods, works, and consulting services must follow ADB's *Procurement Guidelines* (2010, as amended from time to time).

**(iii) Consulting Services**

7. All consulting services to be financed under the Program must be procured in accordance with ADB's *Guidelines on the Use of Consultants* (2010, as amended from time to time).

**(iv) Disbursement Arrangements**

8. The proceeds of ADB's loans will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time) and detailed arrangements as agreed between the government and ADB.

**(v) Accounting, Auditing, and Reporting**

9. The PIU maintains separate accounts and financial statements. The PIU is required to have these accounts audited annually by independent auditors acceptable to ADB. The PIU is also required to submit to ADB certified copies of the annual audited accounts and financial statements, as well as the auditor's report, which includes a separate opinion on the use of the imprest account and statement of expenditures, and management letter, all in English, within 6 months of the end of each fiscal year during project implementation.

**B. OBJECTIVES**

10. The objective of the audit is to enable the auditor to express a professional opinion on: (i) the financial position of the PIU and of the funds received and expenditures for the year ending 31 December 2013 and 31 December 2014 , as per the PIU's Financial Statements (PFS); (ii) the statements of expenditures (SOE) submitted to ADB for the year ending 31 December 2013 and 31 December 2014 ; and (iii) the program's imprest accounts for the year ending 31 December 2013 and 31 December 2014 .

11. The project's accounts (books of account) provide the basis for the preparation of the PFS and are established to reflect the financial transactions of the PIU.

## **C. SCOPE OF SERVICES**

12. The audit will be carried out in accordance with International Standards of Auditing and will include such tests and controls as the auditor considers necessary. In conducting the audit, special attention should be paid to the following:

- a) All funds provided by the ADB have been used in accordance with the conditions of the relevant loan agreements, with due attention to economy and efficiency, and only for the purposes for which the loans were granted;
- b) Counterpart funds have been provided and used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- c) Goods and services have been procured in accordance with ADB's loan agreements;
- d) All necessary supporting documents, records, and accounts have been kept in respect of all projects ventures (including expenditures reported using statement of expenditures and imprest fund procedures);
- e) All imprest accounts have been maintained in accordance with the provisions of the relevant loan agreements;
- f) The PIU's accounts have been prepared in accordance with consistently applied International Financial Reporting Standards (IFRS) and give a true and fair view of the financial situation of the PIU as at the end of the fiscal year ended 31 December 2013 and 31 December 2014 of the expenditures of the PIU for such fiscal year;
- g) Confirm (or otherwise) the PIU's compliance with any relevant covenants in the loan agreements and with ADB's specific requirements with respect to the financial management of the Project;
- h) Provide a statement on the scale, effectiveness, and reliability of the accounting and administrative procedures of the PIU;
- i) Verify financial and administrative internal systems controls; and
- j) Define areas of improvement in the PIU's systems (e.g., improvements in accounting and data processing operations).

## **D. PIU's FINANCIAL STATEMENTS**

13. The PFS of the PIU should include a Statement of Sources and Uses of Funds, and Summary of Expenditures, and a Balance Sheet.

14. The PFS should also include a reconciliation between the amounts shown as "received from ADB" and the actual expenditures incurred.

## **E. STATEMENTS OF EXPENDITURES**

In addition to the audit of the PFS, the auditor is also required to audit all SOEs used as the basis for the submission of withdrawal applications. The auditor should apply such tests and controls as the auditor considers necessary. These expenditures should be carefully compared for project eligibility with relevant financing agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. Annexed to the PFS should be a schedule listing individual SOE withdrawal applications by specific reference number and amount.

## **F. IMPREST FUND**

15. In conjunction with the audit of PFS, the auditor is also required to audit the activities of the imprest funds created under the Program loan agreements (with the exception of second generation imprest accounts held by each PCB). Imprest funds usually comprise:

- a) Deposits and replenishments received;
- b) Payments substantiated by withdrawal applications;
- c) Interest earned from the balances; and
- d) The remaining balance at the end of the fiscal year.

16. The auditor must form an opinion as to the degree of compliance with ADB's procedures and the balances of the imprest funds at year-end. The audit should examine the eligibility and correctness of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the imprest funds in accordance with the financing agreement, and the adequacy of internal controls for this type of disbursement mechanism.

## **G. AUDIT OPINION**

17. Besides a primary opinion on the PFS, the annual reports of the PIU's accounts should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures and the extent to which ADB can rely on the SOEs as a basis for loan disbursement, as well as a separate audit opinion on the imprest funds.

## **H. MANAGEMENT LETTER**

18. In addition to the audit reports, the auditor will prepare a "management letter" in which the auditor will:

- a) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- d) communicate matters that have come to attention during the audit which might have significant impact on the implementation of the Program; and
- e) bring to the borrower's attention any other matters that the auditor considers pertinent.

### **Audit report**

The Auditor's Report shall also provide an opinion as to whether:

- (i) the proceeds of the ADB loan or grant have been utilized only for the Project in accordance with the financing agreement;
- (ii) the financial information contains data specifically agreed upon between the borrowers (Uzbek Republic) and ADB "as being necessary for inclusion in the financial statements;
- (iii) the use of Statement of Expenditures conform-to ADB's requirements;
- (iv) the financial information complies with relevant regulations and statutory requirements; and
- (v) relevant financial covenants and assurances given by the borrower been complied with.

The audit report shall also specifically include an opinion of the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to Which ADB can rely on "those SOE's as a basis for loan/grant disbursement.

The Auditor shall provide the-following final reports to PIU, with copies to ADB, not later than 30 days after of commencement of the audit.

The Audit Report incorporating the Audit Opinion on the Annual Project Accounts and confirmation of the compliance, or otherwise, of the specified covenants and assurances.

### **I. GENERAL**

- 19. The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the PIU. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the company. As part of the audit process, the auditor may request from management written confirmation concerning representations made to the auditor in connection with the audit.
- 20. The PIU will cooperate fully with the auditor and will make available to the auditor whatever records, documentation, and other information is requested by the auditor in connection with the audit. The auditor should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed by ADB.

21. All financial statements referred to above, including the audit opinions thereon, and the management letter should be received by the PIU and ADB no later than six months after the end of the accounting period to which the audit refers.
22. The auditor should be familiar with the ADB's Loan Disbursement Handbook.
23. The financial statements and auditor's opinion thereon shall be submitted in both Russian and English.

**TOTAL ACTUAL WITHDRAWN AMOUNTS FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**US\$**

<b>Component</b>	<b>Loan 3039-UZB</b>	<b>Government</b>	<b>Total</b>
Capacity development and project management support			

**TOTAL ACTUAL WITHDRAWN AMOUNTS FOR THE YEAR ENDED  
DECEMBER 31, 2014**

**US\$**

<b>Component</b>	<b>Loan 3039-UZB</b>	<b>Government</b>	<b>Total</b>
Capacity development and project management support			

## UZB: Housing for Integrated Rural Development Investment Program

### TERMS OF REFERENCE TECHNICAL AND FINANCIAL PERFORMANCE AUDIT (TFPA)

#### A. Introduction

1. The Ministry of Economy wishes to engage an independent performance auditor to conduct performance a technical and financial performance audit of the rural housing component of the Housing for Integrated Rural Development (HIRD) Investment Program.

#### B. Background

2. The Government of Uzbekistan launched the Rural Housing Scheme (RHS) in 2009, the “Year of Development and Improvement of the Village”. Under the RHS, affordable housing finance was offered to rural households for the purchase of new modern houses built under the scheme. During the first three years of the RHS, a total of 7,647 new rural houses were built: 847 in 2009 and 6,800 in 2010, and 7,400 in 2011.

3. On 31 August 2011, ADB approved a \$500 million multitranche financing facility (MFF), the HIRD Investment Program, pursuant to which a series of financial intermediation loans would be provided to help participating commercial banks (PCBs) provide mortgages for the purchase of new houses. Tranche 1 of the MFF (\$200 million) which was approved on 31 August 2011 and became effective in April 2012, financed 8,364 mortgage loans for houses started in 2012 (HIRD 2012 houses). Tranche 2 (\$200 million), which is expected to become effective in October 2013, will finance approximately 19,380 mortgage loans for houses for which construction began in 2013 and 2014, respectively (HIRD 2013 and HIRD 2014 houses). In 2014, the government is expected to submit a periodic financing request to ADB requesting a third loan (Tranche 3), in the amount of \$100 million, which would provide funding for mortgage loans for HIRD 2015 houses.

4. HIRD directly supports the construction sector, an important sector for its contribution to employment and GDP (8.1% of GDP, 2010). HIRD, which comprises 10% to 20% of the total value of civil works undertaken in Uzbekistan annually, will strengthen the construction sector by:

- a. taking advantage of global and regional developments and best practices to advance national building and construction standards;
- b. stimulating the building materials and residential construction sectors to produce and utilize materials and construction techniques that take advantage of new technologies and offer greater energy efficiency, and
- c. exploring housing finance options, lower cost design options, and more cost effective construction approaches and construction materials to increase value for money and outreach to lower income rural households.

5. The Ministry of Economy is the executing agency for HIRD. PCBs are the implementing agencies for the program. For Project 1, **Qishloq Qurilish Bank** (QQB), a majority state-owned bank with an extensive national branch network, was the sole PCB. For Project 2, two there will be 1–2 additional PCBs. **Regional Hokimiyats** (local governments) provide land, coordinate access to basic utilities and social services, and are responsible for selecting local contractors for new house construction. **Qishloq Qurilish Invest** (QQI) is mandated to serve as the

construction supervisor for HIRD. As an agent for both *Hokimiyats* and HIRD home-buyers, QQI supervises construction quality and building standards of HIRD houses. Other important technical agencies are:

- i. **Qishloq Qurilish Lohiya (QQL).** QQL, the national design institute, is mandated to lead the development and implementation of a strategic approach to “planned” rural community development and architectural design standards for new rural housing and rural community facilities that incorporate modern construction technology and materials, and address the full range of regional terrain and climatic conditions and socio-demographic characteristics across the country.
- ii. **Regional Design Institutes (RDI).** RDIs prepare feasibility studies for selected rural sites and develop site master plans (in accordance with topogeodesic and geological surveys) that include infrastructure services (electricity, water and sanitation, heating and gas supply, and telecommunications). RDIs also prepare engineering cost estimates, based on regionally available construction materials, and choice of fixtures taking into account community preferences. In addition, RDIs provide oversight of site development and quality assurance of construction of rural housing and rural community facilities in accordance with design standards.
- iii. **State Committee of Architecture and Construction (SCAC).** SCAC assesses HIRD house designs, engineering specifications, and unit costs, and oversees compliance with state norms and standards. SCAC also monitors construction compliance with state norms and standards and ensures that inspection requirements are adhered to.
- iv. **State Agency for Standardization, Metrology, and Certification (Uzstandart).** Uzstandart, in coordination with SCAC, establishes, certifies and monitors construction quality control standards for all construction materials. Uzstandart certifies construction materials, issues certificates to material production companies, and periodically inspects the production sites.

### C. Scope of Work

6. To ensure value for money and the quality of construction in accordance with national building and construction standards, and to highlight areas for further improvement of HIRD, an independent technical and financial performance audit and value for money assessment (TFPA) will be undertaken annually.

7. The TFPA will assess:

- a. beneficiary selection (i.e., which applicants for houses are selected, in accordance with a pre-defined scoring methodology, to be screened for creditworthiness);
- b. HIRD price setting and down payment arrangements (i.e., how prices for the houses are established and distributed);
- c. contractor procurement (i.e., how contractors to build the houses are selected);
- d. construction quality assurance processes; and
- e. value for money of HIRD house construction, considering
  - i. HIRD design objectives;

- ii. the appropriateness and relevance of designs and design/construction specifications based on the objectives of the project, and environmental impact;
- iii. build quality and conformance of construction to design specifications and national building and safety standards;
- iv. performance assessment of construction materials and construction quality in accordance with normal wear and tear and general weather and environmental conditions;
- v. homebuyer satisfaction; and
- vi. potential design/construction/material improvements that will increase environmental impact and sustainability.

8. The first TFPA, which will be with respect to HIRD 2012, will be initiated by January 2014. The second TFPA will commence within 3 months following the completion of the construction of the HIRD 2013 houses. Findings and recommendations of each audit will be adopted as appropriate for continued improvement of HIRD procedural approaches.

#### **D. Outputs and Timing**

9. A six-month implementation schedule is estimated for each TFPA, including home office preparatory work, in-country field surveys and assessments, post field work, and report preparation. Table 1 presents the expected output delivery schedule.

**Table 1: Output Delivery Schedule**

Assignment	Audit Coverage	Expected Commencement Date for Audit	Inception Report	Draft Final Report	Final Report
First TPFA	HIRD 2012	Jan 2015	Feb 2015	May 2015	Jun 2015
Second TPFA	HIRD 2013	Jan 2015	Feb 2015	May 2015	Jun 2015

HIRD = Housing for Integrated Rural Development Investment Program, TPFA = technical and financial performance audit and value for money assessment.

10. The performance auditor will submit electronic copies of each report together with the following number of hard copies: (i) inception report: 5 copies in Russian and 3 copies in English; (ii) draft final report: 10 copies in Russian and 3 copies in English; and (iii) final report: 10 copies in Russian and 3 copies in English.

#### **E. Performance Audit Standards**

11. The performance audit will be conducted in accordance with INTOSAI's Performance Audit Guidelines and Standards.<sup>5</sup>

#### **F. Statement of Access**

12. The performance auditor will have access, at all reasonable times, to all records and documents including books of account, legal agreements, bank records, invoices and any other information associated with the project and deemed necessary by the performance auditor.

<sup>5</sup> [http://www.issai.org/media/13224/issai\\_3000\\_e.pdf](http://www.issai.org/media/13224/issai_3000_e.pdf).

13. The performance auditor will be provided with full cooperation by all employees of the Ministry of Economy and the project-implementing units, whose activities involve or involved HIRD. The performance auditor will be assured rights of access to banks, consultants, contractors, and other persons or firms hired by the employer.

#### **G. Independence**

14. The performance auditor will be impartial and independent from any aspects of management or financial interest in the entities under audit. In particular, the performance auditor should be independent of the control of the entities. The performance auditor should not, during the period covered by the audit, be employed by, or serve as director for, or have any financial or close business relationship with the entities. The performance auditor should have not have any close personal relationships with any senior participant in the management of the entities. The performance auditor must disclose any issues or relationships that might compromise its independence.

#### **H. Competence**

15. The performance auditor should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in conducting performance audits in accordance with INTOSAI or similar performance audit guidelines and standards.

16. To this end, the performance auditor is required to provide curriculum vitae (CV) of the individuals who will prepare the reports, together with the CVs of managers, supervisors, and key personnel likely to be involved in the performance audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

#### **I. Submission of Proposal and Work Plan**

17. Interested performance auditors are invited to submit a proposal and a work plan to provide the performance audit services described in this terms of reference. Proposals should address, among other things:

- a. The extent (if any) that the performance auditor would not conform to the agreed auditing standards (see above) and indicate any alternative standards to which the performance auditor may (be required to) conform.
- b. Specific actions required on the part of the employer (e.g., access to information, disclosures).
- c. Discussions before submitting and finalizing reports on any matters arising from the performance audit, and with whom these discussions would be held.
- d. The timetable for preparation and provision of reports.

## J. Budget and Consultant Recruitment

18. A multidisciplinary team of international and national experts is likely to be required for the performance audit. ADB undertook an initial assessment of this engagement and identified the following indicative positions and person-months (Table 2) for the purposes of preparing cost estimates (Table 3) for the audits to be performed in 2013 and 2014 for HIRD 2012 and HIRD 2013, respectively. Please note that these positions are indicative only, except for the asterisked key position in Table 2, which will be evaluated as part of the evaluation of the performance auditor's proposal. The performance auditor has discretion, based on the exercise of its professional judgment, to propose a suitably composed and qualified performance audit team.

**Table 2. Indicative Positions and Person-Months**

Expert	International	National
	(person-months)	
Team Leader/Performance Audit Expert*	5.0	0.0
Performance Audit Expert	2.5	7.0
Other Experts (building inspection, housing finance, economics)	4.5	10.0
<b>Total</b>	<b>12.0</b>	<b>17.0</b>

19. **Team Leader/Performance Audit Expert.** The expert should have a master's degree or equivalent, or an internationally recognized professional designation (e.g., chartered accountant, engineer), in accounting, finance, business administration, economics, engineering or related fields, and at least five years' experience conducting performance audits in accordance with INTOSAI or similar performance audit guidelines and standards, ideally involving infrastructure facilities. The expert should have demonstrated qualifications and experience to deliver on the required scope of work described in section C (above).

**Table 3. Indicative Budget**

Package and Item	Estimate (\$'000)
<b>Package 1: Performance Audit</b>	
1. Consultants	
a. Remuneration and per diem (incl. fees, international and local travel)	
i. International consultants (12 person-months at \$23,000 per month)	276.0
ii. National consultants (17 person-months at \$2,000 per month)	34.0
2. Workshops and seminars	5.0
3. Miscellaneous admin and support costs (including equipment and translation)	10.0
4. Surveys	5.0
5. Contingencies	20.0
<b>Total</b>	<b>350.0</b>

20. **Downstream Assignment.** Under the expected Project 3 of the program, a downstream assignment for the third and fourth TFPA (Table 4) is possible for which the performance auditor engaged under this assignment would be eligible for single source selection, assuming satisfactory performance under this assignment.

**Table 4. Possible Downstream TFPA Assignment Under Project 3**

<b>Assignment</b>	<b>Audit Coverage</b>	<b>Expected Commencement Date for Audit</b>	<b>Inception Report</b>	<b>Draft Final Report</b>	<b>Final Report</b>
Third TPFA	HIRD 2014	Aug. 2015	Sept. 2015	Nov. 2015	Dec. 2015
Fourth TPFA	HIRD 2015	Aug. 2016	Sept. 2016	Nov. 2016	Dec. 2016

HIRD = Housing for Integrated Rural Development Investment Program, TPFA = technical and financial performance audit and value for money assessment

Note: The existing Terms of Reference relate only to the first two TFPAs. An updated Terms of Reference will be prepared for the third and fourth TFPAs, which will be procured separately.

21. **Administrative Support.** The program implementation unit will provide a team/meeting room that can be used as a work site for 4–5 team members and for team meetings, including utilities. Internet access will be provided.

22. Recruitment will be through Consultant's Qualification Selection (CQS) for 2012 and 2013 and through Quality and Cost-Based Selection for 2014 and 2015.

#### **K. Amplifications Sought Through Expanded Expressions of Interest**

23. Amplified EOIs will be required to contain (i) a description of the performance auditor's experience in conducting performance audits in accordance with INTOSAI or similar performance audit guidelines and standards, and (ii) the performance auditor's proposed approach to working in the Uzbekistan environment.

### PARTICIPATING COMMERCIAL BANK ACTION PLAN

Audit Finding	Action Proposed <sup>a</sup>	Target Indicator	Timetable	Responsible Person(s) / Unit / Agency	Target Progress	Status as of [dd/mm/yyyy] <sup>b</sup>

<sup>a</sup> The action proposed should provide pertinent comments on the detailed action taken or planned to correct the deficiencies in the audit findings, or a statement, as appropriate, which describes the reason(s) that corrective action is unnecessary. For planned actions, specific deliverables and projected completion dates should be included. (ii) Officials responsible for completing the proposed actions should also be identified. Please indicate the name, title, telephone number, fax number, and e-mail address of the responsible official.

In completing the above worksheet, the PCBs will indicate under the status column one of three (3) status categories regarding the condition of each audit finding:

Status <sup>b</sup>	Criteria
<b>Resolved</b>	The finding is <b>fully corrected</b> . The corrective action that was previously reported was implemented as designed.
<b>Partially Resolved</b>	The finding is only <b>partially corrected</b> . Explanation required.
<b>Unresolved</b>	The finding is <b>not corrected</b> . Explanation required.

## CONSULTANT RECRUITMENT EVALUATION SHEET

<b>Ministry of Economy</b> Program Implementation Unit <b>INDIVIDUAL CONSULTANTS EVALUATION SHEET</b>									
Project Title: _____					Date: _____				
Expertise required: _____									
NAME OF CONSULTANT	NATIONALITY	General Qualifications (A)		Project Related Experience (B)		Regional Experience & Others (C)		Overall	RANKING
		20%	70%	10%	Rating				
		(1)	(2)	(3)	(1)+(2)+(3)				
		Rating	Rating	Rating	Rating				
		A x Rating	B x Rating	C x Rating					
Name and Signature of Rater: _____						Date: _____			
<b>TECHNICAL ASSESSMENT:</b>  <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p><b>1. GENERAL QUALIFICATIONS (20%)</b></p> <p>This includes academic attainment, professional attainment, publications, etc. In normal cases, the attainment of a Bachelor's Degree should be sufficient qualification for the award of maximum points. Only in rare and special cases should higher attainments (M.Sc., Ph.D.) be required to gain maximum points. (Ensure that the M.Sc. and Ph.D. are actually in the area of expertise being sought.)</p> <p><b>2. PROJECT RELATED EXPERIENCE (70%)</b></p> <p>This should be measured by the relevance of project related experience and not the quality of projects undertaken in the past ten years. The expert with the greatest number of projects should not automatically receive maximum points. It should be decided prior to the evaluation, exactly how many relevant projects for which the expert provided same input as required for the present services (or preferably what length of time), would provide necessary depth of experience required, e.g. 1 project, 3 projects, 2 years, 5 years, etc.</p> </div> <div style="width: 48%;"> <p><b>3. REGIONAL EXPERIENCE AND OTHERS (10%)</b></p> <p>This section covers the expert's experience in the project country/region or similar cultural and climatic environment or any other criterion decided prior to the evaluation as well as proficiency in written and oral English (and the language of the project country if relevant).</p> <p><b>RATING:</b></p> <p>Excellent = 90 - 100%</p> <p>Good = 80 - 89%</p> <p>Average = 70 - 79%</p> <p>Below Average = 0 - 69%</p> </div> </div>									

## CONSULTANT CONTRACT TEMPLATE

### PIU's LETTERHEAD

[Name of *Consultant, if individual or Name of Consulting Firm, if a firm*]  
[Address]

This Agreement is made this \_\_\_\_ day of [month] [year] between [*name of the executing agency*] (the EA) and [*Name of Consultant, if individual or Name of Consulting Firm if through a firm*].

The EA wishes to engage the Consultant to provide the services for the Housing for Integrated Rural Development Project.

The Parties agree to the terms and conditions set out in Appendix 1(A-C): Terms and Conditions, Appendix 2: Terms of Reference, Appendix 3: Remuneration and Out-of-Pocket Expenses.<sup>[1]</sup>

The Parties have caused this Agreement to be signed on the date mentioned above.

For and on behalf of the MOE

For and on behalf of the Consultant

\_\_\_\_\_  
[Name and Designation of Signatory]

\_\_\_\_\_  
[Name and Designation of Signatory]

## Appendix 1-A

**TERMS AND CONDITIONS OF CONTRACT [Ref. No#]****DEFINITIONS**

- D-1 **ADB** means the Asian Development Bank
- D-2 **Consultancy inputs** means the amount of the time when the Consultant's services are required during the engagement. One **person-month** is equivalent to 30 **calendar days** or 22 **working days**. **Home Office** work means Consultant's work at the Consultant's own office or residence; **Field** work means Consultant's work at an **Assignment Location** other than the Consultant's Place of Residence.
- D-3 **Consultant** means the person who will provide the service under the Contract.
- D-4 **Consultant's Place of Residence** is the city or province where the Consultant holds permanent residence or office.
- D-5 **Contract** comprises the Offer Letter, the Specific Conditions, the General Conditions, the Notice to Proceed (NTP) and all Appendixes to any of these documents. The Contract becomes effective upon receipt of the EA's NTP. The NTP is issued after the Consultant accepts the offer
- D-6 **D** for Definitions; **S** for Specific Conditions and **G** for General Conditions.
- D-7 **Executing Agency (EA)** is the organization or government agency of the Government with which the Consultant signs the Contract.
- D-8 **Firm** means the company or organization through which the Consultant is engaged, if the engagement is through a firm. The reference to "Firm" in the General Conditions may be disregarded if the Contract is signed directly between the EA and the Consultant.
- D-9 **Grant** is any grant financed or cofinanced by ADB.
- D-10 **Loan** is the loan financed or co-financed by the ADB for the purpose of financing the Project
- D-11 **Project** means *[title of Project]* which the project under the Loan or Grant for which the Service is required.
- D-12 **Services** means the services the Consultant will perform as specified in the **Terms of Reference ("TOR")** in Appendix 2.
- D-13 **Term of Engagement** means the period when the Contract is effective.

## Appendix 1-B

**TERMS AND CONDITIONS OF CONTRACT [Ref. No#]****SPECIFIC CONDITIONS**

- S-1. **Term of Engagement:** The Consultant shall make [herself/himself] available for Services from [commencement date] to [end date] on an intermittent basis. The commencement date is confirmed in the Notice to Proceed (NTP). Should the NTP indicate a commencement date and completion date different from the above, the NTP shall prevail.
- S-2. **Consultancy Inputs:** As required by **Terms of Reference (TOR)** in **Appendix 2**.
- S-3. **Assignment Location:** [\_\_\_\_\_].
- S-4. Details on S-1 to S-3 are further specified in the **Terms of Reference (TOR)** in **Appendix 2**.
- S-5. **Remuneration:** A lump sum of [amount] which includes remuneration and all expenses except for reimbursable expenses, if any, as indicated in **Appendix 3**. Payment will be made in accordance with **General Conditions Clause 3, 4, 5, and Appendix 3**.
- S-6. **Out-of-Pocket Expenses:** [Insert Option A: Cost Plus Fee, Option B or Option C: Full Lump Sum with or without Reimbursable Expenses]. Details are specified in **General Conditions Clause 4** and **Appendix 3**.
- S-7. **Contract Amount:** [amount].
- S-8. **Insurance:** The Consultant shall be fully and solely responsible for taking out and maintaining adequate medical insurance and insurance against the Consultant's accidental death or for any injury incurred during the Term of the Engagement.
- S-9. **Advances:** [amount] to be recovered in \_\_\_ installment(s) in accordance with **General Conditions Clause 6**.
- S-10. **Executing Agency:**  
 [Name of Executing Agency]  
 [Name and Designation of Contact person]  
 Fax  
 No.: \_\_\_\_\_ E-mail: \_\_\_\_\_
- S-11. **Consultant's Information:**  
 [name and complete address]:  
 [Nationality]:  
 Fax No.:  
 E-mail:
- S-12. **Currency of Payment:** [Indicate currency of payment]
- S-13. **Bank Account of the Consultant:** [insert Consultant's bank account details]
- S-14. **Billing Unit:** [if required indicate the unit at the EA where the Consultant will submit claims for payment]
- S-15. **Counterpart facilities** [EA should indicate what facilities will be provided by the EA under the Contract]

## Appendix 1-C

**TERMS AND CONDITIONS OF CONTRACT [Ref. No#]****GENERAL CONDITIONS**

- G-1. **Performance of the Consultant** - During the Term of Engagement when the Consultant's inputs are required, the Consultant shall work full time and shall diligently and effectively complete the services under the TOR. The EA reserves its right to evaluate the Consultant's performance and to maintain a record of the performance evaluation to refer to if the Consultant is considered for re-engagement.
- G-2. **Contractual Ethics** - the EA requires that Consultants and consulting firms under the Loan or Grant observe the highest standard of ethics (refer to Section 1.05 of the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and the ADB's *Policy on Anti-Corruption*; a copy may be obtained by visiting [www.adb.org](http://www.adb.org)). Consultants and consulting firms under ADD financed contracts shall also act in accordance with ADB's policy on sexual harassment. The Consultant also undertakes that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in this Contract have been given or received in connection with the selection of the Consultant or in the Contract's execution.
- G-3. **Remuneration**
- a. The EA shall pay the Consultant's remuneration either to the Consultant or, if the EA engages the Consultant through a Firm, to the Firm. The EA shall pay remuneration for the period in which the EA requires the Consultant's full time (only if agreed in this Contract, part time) commitment to provide Consultancy Inputs. The payment is subject to the terms and conditions in Specific Conditions Clause 5, Appendix 3, General Conditions Clause 3, Sections b, c, d, and General Conditions Clause 5.
  - b. If Specific Conditions Clause 5 indicates a lump sum payment for the Services, the Consultant's remuneration and OPE, except for any reimbursable expenses specified in Appendix 3, will be paid in lump sum in accordance with a payment schedule shown in Appendix 3.
  - c. If Specific Conditions Clause 5 does not indicate a lump sum and if the Consultancy Inputs are less than 30 calendar days or 22 working days, the EA shall pay the remuneration in the following way:
    - i. By calendar days for the time the Consultant spends on the services in the field, that is, at a location other than the Consultant's place of residence. The field time includes the time required to travel to and from the assignment location via the most direct route, the EA official holidays, and weekends except the weekend that falls at the end of the assignment, and/or,
    - ii. By working days for the days that the Consultant works full-time to provide the services at his or her home office, that is, the Consultant's place of residence.
    - iii. The maximum number of paid working days in a calendar month is 22 for purposes of this Contract.
  - d. If Specific Conditions Clause 5 does not indicate a lump sum and if the Consultancy Inputs are 30 calendar days or more, the EA pays remuneration as follows.

- i. By person-months, including the time required to travel to and from the assignment location via the most direct-route, the EA official holidays, and weekends except the weekend that falls at the end of the assignment.
- ii. The EA calculates daily remuneration rates by dividing the monthly rate by 30 for a calendar day and by 22 for a working day.
- e. the EA shall determine the amount it offers for each assignment. If the EA re-engages the Consultant for a new assignment in the future, the remuneration it offers might be different from the rate for this assignment, which is indicated in Specific Conditions Clause 5.

**G-4. Out-of-Pocket Expenses (OPE) and Reimbursable Expenses**

- a. If Specific Conditions Clause 5 does not indicate a lump sum for Remuneration and OPE, the EA will pay OPE to the Consultant, or the Firm if the Consultant is engaged through a firm, for actual costs substantiated by receipts of purchase or other supporting documents as specified in Appendix 3, unless otherwise specified. Details of the OPE are shown in Appendix 3 which may include the following:
  - i. Per Diem Allowance is a daily allowance for accommodation and subsistence when the Consultant stays overnight at a place other than the Consultant's Place of Residence to perform the Services during the Term of Engagement.
  - ii. Travel Cost covers all transportation costs the Consultant reasonably incurs in traveling for the Services including the cost of transportation by appropriate public transport between the Consultant's Place of Residence and the nearest convenient international airport. Air travel should be economy class and by the most direct route with connecting flights. Extra costs for non-work related stop-over en-route exceeding the allowable travel time or for non-direct route flights shall be at the Consultant's own expense.
- b. If Specific Conditions Clause 5 indicates a lump sum for Remuneration and OPE without reimbursable expenses, the EA will make payments following the payment schedule in Appendix 3 and in accordance with General Conditions Clause 5.
- c. If Specific Conditions Clause 5 indicates a lump sum for Remuneration and OPE with reimbursable expenses, the EA will make payments following the payment schedule in Appendix 3 and in accordance with General Conditions Clause 5 and reimburse either the Consultant or the Firm the actual cost of the reimbursable expenses.

**G-5. Payment**

- a. The EA shall make payment in accordance with Specific Conditions Clause 5, General Conditions Clause 3, and General Conditions Clause 6 when applicable, within a reasonable period, normally (depending on General Conditions Clause 5-c) not more than 30 days, unless otherwise specified in Appendix 3, from the EA's receipt of the invoice from the Consultant, or the Firm if the Consultant is engaged through a firm.
- b. Unless otherwise specified in Appendix 3, the invoice shall be submitted to the EA each month with a statement showing the time the Consultant spent during that period performing the Services and with the supporting documents for the reimbursable expenses as required in Appendix 3.

- c. Payment follows the EA certifying that Services are satisfactory.
  - d. The EA payments shall be made to the bank account as specified in Specific Conditions Clause 13.
  - e. The EA discourages frequent change of Firm/Consultant's bank account and requires an official request with justifications for such a change. In the case of Firm, the letter must be signed by the same person who signed this Contract on behalf of the firm or an authorized representative of the Firm. The EA does not accept a third party's bank account other than the contracting party's account.
  - f. The Consultant, or the Firm if the Consultant is engaged through a firm, shall submit the final invoice within 60 calendar days after the completion of the Term of Engagement or termination of the Contract. If no final invoice is received by the EA within 60 calendar days after the completion of the Term of Engagement or termination of the Contract, the EA shall make the final payment based on the Contract's account record certified by the EA after the settlement of any pending matters, such as outstanding advance payment, Contract variations or handover of equipment by the Consultant to the EA if any equipment is purchased by the Consultant using the EA funds. The EA will then close the Contract account after the final payment. All payment claims to the EA, if any, from the Consultant or the Firm, shall be considered as irrevocably waived after the closure of the Contract account.
  - g. Total payment under this Contract shall not exceed the maximum amount indicated in Specific Conditions Clause 7 unless the EA issues a Contract variation order to amend the maximum amount.
  - h. Except for the monthly and final invoice which shall be submitted by the Consultant to the EA, all requests for advances, queries and follow-ups regarding status of payments should be sent to the *[name of EA Billing Unit]*.
- G-6. **Advances** - The Consultant, and the Firm if the Consultant is engaged through a firm, may request an advance on OPE up to the amount as indicated in Specific Conditions (Specific Conditions Clause 9). The advance will be recovered in the number of installments specified in Specific Conditions Clause 9 starting from the first billing. The EA must approve additional advance(s) and recovery is adjusted.
- G-7. **Insurance**
- a. Refer to Specific Conditions Clause 8.
  - b. Where the EA engages the Consultant directly or through a firm, the EA shall undertake no responsibility for life, accident, travel, or any other insurance coverage for the employees or sub-contractors of the Consultant or for the dependents of any such persons who may travel to the duty station or elsewhere for the purposes of the Services. The Consultant and the Firm (if the Consultant is engaged through a firm) shall
    - i. take out and maintain adequate insurance against loss of or damage to equipment the Firm or Consultant purchases in whole or in part with funds provided by the EA, if any. The proceeds of such insurance shall be payable in a currency freely usable to replace or repair such equipment.
    - ii. take out and maintain adequate professional indemnity insurance and insurance against claims by third parties resulting from acts performed in carrying out the Services.

- iii. take out any other necessary insurance coverage for the Consultant.
- G-8. **Language** - All reports, unless otherwise specified in the TOR, and all communication related to the execution of this Contract shall be in English language.
- G-9. **Reports** - The Consultant shall submit to the EA reports and/or other written and electronic documents as required in the TOR. A 500-word (maximum) knowledge summary will be included in the front section of the final report to be delivered on a CD. All reports, notes drawings, specifications, statistics, plans and other documents and data compiled or made by the Consultant or the Expert while performing the Services shall be the sole and exclusive property of the EA. Upon Contract termination or conclusion, the EA has the right to direct the disposal of such property which may be made available to the general public in the EA's sole discretion. The Consultant may retain copies of such documents and data but shall not use the same for purposes unrelated to the Services without the prior approval of the EA. After concluding the Term of Engagement, the Consultant shall continue to cooperate with the EA to clarify or explain any contents in the reports the Consultant submits. It is understood that the Consultant shall use his/her own computer or laptop to complete the Reports.
- G-10. **Intellectual Property** - The Consultant, and the Firm if the Consultant is engaged through a firm, shall ensure that all its Services and all goods and services (including without limitation all computer hardware, software, and systems) procured by the Consultant from the EA funds or used by the Consultant in the carrying out of the Services do not violate or infringe on any industrial property or intellectual property right or any third party claim. The Consultant, and the Firm if the Consultant is engaged through a firm, shall indemnify the EA from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, suits, proceedings, demands, costs, expenses, and disbursements that may be imposed on, incurred by, or asserted against the EA for actions related to performing the Services. These include the Consultant's or Firm's infringing or allegedly infringing copyright, trademark, patent, or other protected right.
- G-11. **Public Statement and Commitment** - The Consultant, and the Firm if the Consultant is engaged through a firm, shall act discretely and refrain from making public statements about the Services or any the EA projects without the EA's prior written approval. The Consultant, and the Firm if the Consultant is engaged through a firm, has no authority to commit the EA in any capacity and shall make this clear as circumstances warrant. The Consultant should refrain from any political activity involving the assignment or in the country where the project takes place during the Term of Engagement.
- G-12. **Disclosure of Information** - The Consultant, and the Firm if the Consultant is engaged through a firm, shall comply with the *ADB Policy on Confidentiality and Disclosure of Information* (a copy may be obtained by visiting [www.adb.org](http://www.adb.org)).
- G-13. **Equipment** - It is agreed that the Consultant, unless otherwise approved by the EA, shall use, when necessary, his/her own computing tools, laptop or notebook for performing the Services. In special cases, the EA may provide funds under the Contract for the Firm/Consultant to purchase equipment for use by the Consultant during the Term of Engagement. Such equipment shall remain as the EA's property and should be handed over to the EA, unless otherwise instructed by the EA, upon the termination of the Contract.
- G-14. **Relationship of the Parties** - Nothing contained in this Contract shall be construed as establishing any relationship other than that of independent contractor between the EA and the Consultant, or the Firm if the Consultant is engaged through a firm.
- G-15. **Subcontracting** - The Consultant, and the Firm if the Consultant is engaged through a firm, shall not assign or sub-let the Contract or any part of it without the prior written consent of the EA for an approved sub-contract.

- G-16. **Disability or Incompetence of the Consultant** - The EA's engagement of the Consultant is conditional upon the Consultant's or the Firm's confirmation to the EA that the Consultant is healthy and without physical or mental disability that may interfere with performing the Services. The Consultant shall, if called upon to do so, give the EA any medical or other evidence as the EA may reasonably require. If at any time in the EA's opinion, whether for reasons of health or otherwise, the Consultant is unable to perform or to complete the Services adequately, the EA may terminate this Contract.
- G-17. **Unusual Incidence** - The Consultant shall report immediately to the EA any accident involving personal injury or property damage during the Term of Engagement. The Consultant shall also report to the EA immediately any circumstances which might hinder or prejudice performance of the Services.
- G-18. **Visas** - The Consultant shall obtain visa and other approvals from governmental authorities required under applicable laws and regulations of the Assignment Location to permit the Consultant to carry out the Services and, if applicable, shall obtain visas and other required approvals from the relevant governmental authorities for any dependents of such Consultant physically present in the Assignment Location during the Term of Engagement.
- G-19. **Suspension; Termination of Contract**
- a. The EA may suspend performance of the whole or part of the Contract, or the disbursement of funds hereunder, for a period as the EA deems necessary if the EA determines that a condition has arisen which, in the reasonable opinion of the EA, interferes, or threatens to interfere, with the effective carrying out of the assignment or accomplishing the Services for a specified period of time not to exceed 30 working days; Notwithstanding the above, this Contract may be terminated by the EA:
    - i. upon the expiration of a period of time of not less than 15 calendar days after written notice of its intention to terminate has been given to the Consultant; or
    - ii. immediately if the EA determines that the Consultant, and the Firm if the Consultant is engaged through a firm, has engaged in unethical behavior, or corrupt, fraudulent, coercive, or collusive practices - as defined by ADB in the *ADB's Anticorruption Policy* and in Section 1.05 of the *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*; or
    - iii. immediately if the EA determines that the Services to date are so deficient as to demonstrate that the Services cannot be satisfactorily performed.
  - b. The Consultant, or the Firm if the Consultant is engaged through a firm, may terminate the Contract if there are circumstances beyond the Consultant's reasonable control which make it impossible to carry out the Services. The Consultant must substantiate such reasons in writing. Upon the EA's confirmation in writing, or the failure of the EA to respond to such submission of justification within 15 days from receipt, the Consultant shall be relieved from performing the Services and this Contract shall be terminated.
  - c. **Termination Procedure** - Upon termination of the Contract or the EA giving such notice, the Consultant, and the Firm if the Consultant is engaged through a firm, shall immediately bring the Services to an orderly close and reduce expenditures to a minimum. Unless the Consultant's default causes termination, the Consultant, or the Firm if the Consultant is engaged through a firm, is entitled to full reimbursement for costs duly and reasonably incurred prior to the termination date. Reasonable costs for the orderly termination of Services, including return travel by the Consultant, are reimbursable. If termination is occasioned by the Consultant's or the Firms' default, the Consultant, or the

Firm if the Consultant is engaged through a firm, or the EA as the case may be, shall be entitled to the difference between:

- i. the costs, direct or indirect, the Consultant or the Firm incurs in the performance of the Services up to the date of termination; and
- ii. the aggregate of all sums the EA paid to the Consultant or the Firm under the Contract.

G-20. **Entire Agreement and Contract Amendment** - The Contract as amended from time to time under the foregoing provisions supersedes all prior arrangements whether written or oral, expressed or implied. The amendment, whether partly or wholly, of any of the Contract's terms or conditions shall be valid only if in writing and signed by the authorized party of the EA.

G-21. **Notices and Requests** - Any notice or request required or permitted under this Contract shall be in writing. Such notice or request shall be deemed to be fully given or made when it is delivered by hand, mail, or fax to the authorized party. The authorized party under this Contract for the EA is described in **Specific Conditions Clause 10** and the authorized party for the Consultant is the person who confirms the acceptance of the Offer Letter and is described in **Specific Conditions Clause 11** unless otherwise notified by the Consultant, or the Firm if the Consultant is engaged through a firm.

G-22. **Delays** - No failure or delay on the part of the EA in exercising any power or right under this Contract shall operate as a waiver of that power or right, nor shall any single or partial exercise of such power or right preclude any other or further exercise or any other power or right under this Contract.

G-23. **Inspection and Audit** - The Consultant, and the Firm where the Consultant is engaged through a firm, agree to allow the EA or ADB or a representative authorized by the EA or ADB to inspect and audit any accounts, documents, and records relating to this Contract.

G-24. **Settlement of Disputes**

- a. The Consultant, or the Firm where the Consultant is engaged through a firm, and the EA agree that avoidance or early resolution of disputes is crucial for smoothly executing this Contract and completing the assignment. Each party should settle amicably all disputes arising out of or connected with this Contract or its interpretation through the following procedure: each party's authorized representative will examine the matter(s) in dispute and consider available options to resolve such dispute. The parties will seek agreement on the most reasonable option to resolve the dispute and act appropriately to that end.
- b. Any dispute or difference arising out of this Contract or in connection with which it cannot be amicably settled between the parties under (a) above shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed under the said Rules. The arbitration shall take place in [country of EA]. The resulting award shall be final and binding on the parties and shall replace other remedies. The language of arbitration shall be English and each party shall bear its own costs.

## Appendix 2

## TERMS OF REFERENCE

<b>Contract</b>			
<b>Project</b>	<i>[country: title]</i>		
<b>Expertise</b>			
<b>Source</b>	<i>[International or National]</i>	<b>Category</b>	<i>[Independent or Firm]</i>
<b>Objective/Purpose of the Assignment:</b>			
<b>Scope of Work:</b>			
<b>Detailed Tasks:</b>			
<b>Output/Reporting Requirements:</b>			
<b>Places of Assignment:</b>		<b>Days Estimated Dates</b>	(dd/mm/yyyy)
TOTAL DAYS (state if Intermittent)			

## Appendix 3

[(OPTION A – STANDARD COST PLUS FEE)]**REMUNERATION AND OUT-OF-POCKET EXPENSES**

<b>Contract</b>					
<b>Project</b>	[country: title]				
<b>Expertise</b>					
<b>Source</b>	[International or National]	<b>Category</b>	[Independent or through a Firm]		
<b>Prof. Group</b>		<b>Job Level</b>			

Code	Description	Qty.	Unit	Amount	Total
1.	<b>REMUNERATION</b>				
	Field				
	Home Office				
	<b>Sub-Total</b>				
2.	<b>OUT-OF-POCKET EXPENSES</b>				
3.	Per Diem				
4.	Air Travel				
5.	Misc. Travel Expense (Lump sum)				
	Land Transport, Vehicle Hire (Local Transport)				
6.	Communications and Reports				
	<b>Sub-Total</b>				
7.	<b>CONTINGENCY</b>				
	<b>TOTAL MAXIMUM PAYMENT</b>				

Important Note:

1. Remuneration is paid based on the certification by the EA on the actual inputs.
2. Out-of- Pocket Expenses are reimbursable at cost with supporting documents/receipts unless otherwise specified.
3. Negotiated rate(s) are fixed, no receipt is required for the duration of the contract. No per diem is paid on the day of the Consultant's arrival in his usual place of residence/home office. Actual location/number of days in each location may vary based on actual requirements, subject to certification by the EA.
4. Submission of original copies of used tickets, or receipts of purchase and/or boarding pass(es) as evidence of travel and class of travel is required. Actual travel itinerary via most direct route will have to be determined in coordination with the EA.
5. To cover passport and visa fee, in and out expenses, medical costs and other expenses incidental to travel.
6. Communication expenses including subscription and operational expenses of mobile phone, IDD, phone, fax, internet, courier, etc.
7. Use of contingency requires prior approval of the EA.

[(OPTION B –FULL-LUMP SUM)]

**REMUNERATION AND OUT-OF-POCKET EXPENSES**

<b>Contract</b>			
<b>Project</b>	[country: title]		
<b>Expertise</b>			
<b>Source</b>	[International or National]	<b>Category</b>	[Independent or through a Firm]
<b>Prof. Group</b>		<b>Job Level</b>	

**LUMP SUM PAYMENT**

**Payment Milestones**<sup>[2]</sup>

1<sup>st</sup>

2<sup>nd</sup>

3<sup>rd</sup>

4<sup>th</sup>

5<sup>th</sup>

6<sup>th</sup>

7<sup>th</sup>

**TOTAL CONTRACT AMOUNT**

Important Note:

[(OPTION C – PARTIAL LUMP SUM)]**REMUNERATION AND OUT-OF-POCKET EXPENSES**

<b>Contract</b>					
<b>Project</b>	[country: title]				
<b>Expertise</b>					
<b>Source</b>	[International or National]	<b>Category</b>	[Independent or through a Firm]		
<b>Prof. Group</b>		<b>Job Level</b>			

Code	Description	Qty.	Unit	Amount	Total
<b>LUMP SUM PAYMENT</b>					
<b><u>Payment Milestones<sup>[3]</sup></u></b>					
	1 <sup>st</sup>				
	2 <sup>nd</sup>				
	3 <sup>rd</sup>				
	4 <sup>th</sup>				
	5 <sup>th</sup>				
	6 <sup>th</sup>				
	7 <sup>th</sup>				
	Progress Payment Sub-Total				
<b>REIMBURSABLE EXPENSES</b>					
	Per diem				
	Air travel				
	Misc. Travel Expenses (Lump sum)				
	Communications				
	<b>Sub-Total</b>				
<b>CONTINGENCY</b>					
<b>TOTAL CONTRACT AMOUNT</b>					
<u>Important Note:</u>					
1. Remuneration is paid based on the certification by the EA on the actual inputs. 2. Out-of- Pocket Expenses are reimbursable at cost with supporting documents/receipts unless otherwise specified. 3. Negotiated rate(s) are fixed, no receipt is required for the duration of the contract, No per diem is paid on the day of the Consultant's arrival in his usual place of residence/home office. Actual location/number of days in each location may vary based on actual requirements, subject to certification by the EA. 5. Submission of original copies of used tickets, or receipts of purchase and/or boarding pass(es) as evidence of travel and class of travel is required. Actual travel itinerary via most direct route will have to be determined in coordination with the EA. 6. To cover passport and visa fee, in and out expenses, medical costs and other expenses incidental to travel. 7. Communication expenses including subscription and operational expenses of mobile phone, IDD, phone, fax, internet, courier, etc. 8. Use of contingency requires prior approval of the EA.					

[1] The EA is to select the basis upon which the Consultant will be remunerated under the contract namely, [Option A – Standard Cost Plus Fee], [Option B – Full Lump Sum] or [Option C – Partial Lump Sum].

\* For Consultant engaged through a firm, the EA shall request for authority of the signatory to sign on behalf of the Firm for the Consultant.

- <sup>[2]</sup> The first payment milestone may be an advance payment. Future payment milestones are generally linked to deliverables completed by the consultant.
- <sup>[3]</sup> The first payment milestone may be an advance payment. Future payment milestones are generally linked to deliverables completed by the consultant.

**Participating Commercial Bank**

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**ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)**

**Manual on ADB Environmental and Social Requirements under the Housing for  
Integrated Rural Development Investment Program**

*This document provides guidance for [insert name of bank] (PCB) to implement an  
Environmental and Social Management System satisfactory to ADB.*

## CONTENTS

I.	INTRODUCTION .....	121
II.	ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS .....	122
III.	ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES .....	125
IV.	ORGANIZATIONAL RESPONSIBILITY, RESOURCES, AND CAPACITY .....	128

### Forms

- Form 1 — Data to Be Collected in Collaboration with District *Hokimiyat*
- Form 2 — Data on (Potential) Borrowers and Housing Massives
- Form 3 — Recording Field Monitoring on Construction Workflow
- Form 4 — Screening Process for Selection of Housing Block/Massive to Be Funded by the ADB  
Loan

## **ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM**

### **I. INTRODUCTION**

#### **1. Background of the Project**

1. The Government of the Republic of Uzbekistan launched the Rural Development Program (Program) in 2009. As the strategic focus of the government's Welfare Improvement Strategy (WIS), the Program concentrates on implementing an integrated approach to rural development nationwide, including the expansion of rural industry and micro, small and medium size enterprises (MSMEs) to create job opportunities in rural areas.

2. To improve rural living conditions, the Program includes a Housing for Integrated Rural Development (HIRD) Investment Program (previously known as the Rural Housing Scheme<sup>1</sup>), under which the government is developing new model communities in rural areas. These communities offer new and improved residential housing and enhanced access to basic utilities (electricity, water supply, and gas), roads and transport networks, communications, social services (schools and health clinics), and new retail and commercial facilities. One of the key objectives of the model communities is to attract rural-based industry and entrepreneurs to create jobs and offer a viable alternative to urban migration. By the end of 2010, 265 new model communities were launched nationwide and 500,000 rural jobs were created. Building on the success and lessons learned during the first two years of HIRD, the government launched a five-year extension that started in 2011.

3. In 2009, 2010, 2011, and 2012, mortgage financing for 847, 6,000, 7,400 and 8,510 houses, respectively, was provided by Qishloq Qurilish Bank (QQB). For 2013, mortgage finance will be provided for 10,000 houses across 13 provinces by QQB and the National Bank of Uzbekistan (NBU). Mortgage finance for additional houses will also be provided by QQB and NBU in 2014 and possibly additional commercial banks in 2015.

#### **2. Housing for Rural Development Investment Program**

4. A Multitranche Financing Facility (MFF) for the Housing for Integrated Rural Development (HIRD) Investment Program was approved for \$500 million by ADB's Board of Directors on 31 August 2011. Pursuant to a Framework Financing Agreement entered into between ADB and the Republic of Uzbekistan, a series of loans will be provided by ADB under the MFF to the Republic of Uzbekistan. Almost all of the proceeds of these loans will be onlent by the Republic of Uzbekistan to participating commercial banks which will provide mortgage loans using the received funds. *[Insert name of bank]* (PCB) has been selected as one of these participating commercial banks.

## **II. ENVIRONMENTAL AND SOCIAL MANAGEMENT POLICY AND APPLICABLE REQUIREMENTS**

#### **1. Policy Framework in Addressing Environmental and Social Safeguards**

5. PCB as a business entity is governed by the laws and regulations of the Republic of Uzbekistan. As a participating commercial bank for an ADB-financed project, PCB is required to

<sup>1</sup> Initiated under Presidential Decree NPP1046, 26 January 2009.

comply with the provisions of the ADB Safeguard Policy Statement (2009), particularly with regard to financial intermediaries (FIs). On this basis, PCB has developed an Environmental and Social Management System (ESMS). This ESMS has been approved by PCB's Board on \_\_\_\_\_.

6. The objectives of the ESMS are to: (i) avoid adverse impacts of subprojects on the environment and people, where possible; (ii) minimize, mitigate, and/or compensate for adverse subproject impacts on the environment and people when avoidance is not possible; and (iii) maximize opportunities for environmental and social benefits.

7. PCB has adopted a safeguard selection criteria, wherein mortgage loans will only be provided to subborrowers whose house plots are located in residential blocks/sites in Uzbekistan that:

- a. are not situated in or near environmentally sensitive areas and have been approved by the Regional Nature Protection Committee (*Oblkompriroda*).
- b. are classified as state-owned/state-reserve land for residential use by the District *Hokimiyat* not later than a specified cut-off date (31 December 2009 for loans disbursed in 2012, 31 December 2010 for loans disbursed in 2013, 31 December 2011 for loans disbursed in 2014, and 31 December 2012 for loans disbursed in 2015), and
- c. will not cause involuntary resettlement or have an adverse effect on Indigenous People, including any adverse effect on any third-party land user of site where the house plot is located.

8. PCB will (i) use the criteria in para. 11 in considering whether a mortgage loan should be approved; and (ii) establish a system for monitoring housing construction to ensure compliance with all national standards for residential house design and construction, as well as with environmental, health, safety, and labor standards and requirements.

## **2. Applicable Environmental and Social Safeguard Requirements**

### **a. Uzbekistan Laws and Regulations on Environmental Safeguards**

9. The Law on Environmental Protection (1992) provides the legal and institutional framework for environmental protection, ensuring sustainable development, and defining principles, including the conduct of environmental studies. Furthermore, the Law on Ecological Expertise (Assessment) No. 73-11 addresses environmental assessment requirement for various development activities. The environmental classification of development activities, procedure of preparation and evaluation of environmental assessment, and environmental approval of development activities are regulated by Cabinet of Ministers of the Republic of Uzbekistan Resolution No. 491 adopted in December 2001.

10. In addition, the following environmental management regulations are relevant to the Rural Housing Program:

- a. Law on Protection and Management of Flora, 26.12.2007
- b. Law on Wildlife Protection and Management. 26.12.1997
- c. Law on Protection and Management of Flora, 26.12.1997// New Laws of the Republic of Uzbekistan. 18th Edition, p. 207
- d. Law on Forest, 15.04.1999
- e. Law on Water and Water Use, 1993

- f. Law on mineral resources, 23.09.1994
- g. SNIP (KMK) 301012-2000, "Health protection in construction"
- h. Law on Wastes, 2002
- i. Law on protection of archaeological monuments, 13.10.2009

11. Rural housing is categorized as a class 4 project based on the Uzbekistan environmental regulatory framework.<sup>2</sup> Prior to executing this type of project, an environmental clearance needs to be obtained from the Provincial/Regional Nature Protection Committee. The District Natural Protection Committee Staff is required to monitor the implementation of class 4 projects to ensure that they comply with environmental laws and regulations.

#### **b. Uzbekistan Laws and Regulations on Land Acquisition and Resettlement**

12. In Uzbekistan, the most important regulations related to land acquisition and resettlement of these are:

- a. The Land Code; approved by the Law of the Republic of Uzbekistan from 30.04.1998, as amended from 2003-2004
- b. The Civil Code of the Republic of Uzbekistan from 1996, as amended from 2004–2008
- c. Law of the Republic of Uzbekistan on "State Cadastre" N171-II from 15.12.2000
- d. Law of the Republic of Uzbekistan on "State land cadastre" N666-I from 28.08.1998, as amended from 2002-2004
- e. Cabinet of Ministers Resolution on "Approval of the Regulation on the order of adjudication of land disputes in the Republic of Uzbekistan" №246 from 25.05.1992
- f. Cabinet of Minister Resolution on "Order of realization into private property of objects of trade and public services together with land plots, where they are located, and land plots into life inherit tenure" №126 from 11.04.1995, as amended by Cabinet of Ministers Resolution № 202 from 30.04.1999
- g. Cabinet of Ministers Resolution on "Land Acquisition and Compensation for State and Public needs" № 97, 29 May 2006
- h. Cabinet of Ministers Resolution on "Procedure for granting land for urban development and other non-agricultural activities" № 146, 25 May 2011

13. Collectively, these regulations provide a sound basis for acquiring land for a public purpose and for compensating land users registered for particular purpose, such as for cultivation, business, residence, etc.

14. Based on the Land Code, land is state property and is considered to be national wealth and protected by the State. The Government is obliged to provide rights of legal entities and individuals for land plots with a legal ownership certificate for temporary use and a lease for a long period of time. The assignment of land plots can only be made after issuance of a

<sup>2</sup> The Ecological Expertise (Assessment) No. 73-11 requires that all development activities based on their environmental and social impacts be classified to ensure that all impacts will be managed by avoiding, minimizing, and mitigating impacts. There are 4 classes of projects based on environmental impacts. Class 1 projects require an environmental impact assessment study and an impact statement with a detailed plan to address the impacts. Class 2 projects require an environmental impact assessment study. Both Class 1 and Class 2 projects are required to be cleared by the State Nature Protection Committee. Class 3 projects require an environmental assessment study (similar to an IEE), but do not require an impact statement. Class 4 projects are those that generate only local impacts. A proponent of a Class 4 project is required to submit a project description and justification that the project will have only local impacts. Clearance for Class 3 and Class 4 projects is obtained from the Regional Nature Protection Committee.

legislative order by the central government or by provincial, city or district *hokimiyats*. Only land that is not suitable for agricultural purposes or has low fertility can be assigned for construction of industrial, housing, railway, road, and air transport, for electricity transmission or communication lines, or for other non-agricultural purposes.

15. The Land Code also provides limitations to land use rights in connection with assignment of conservation, ecological protection zones, wildlife preserves, national recreation areas, cultural-historical monuments, water reservoirs, water supply sources, and areas along rivers and canals.

16. The Civil Code requires the holder of a leasehold or temporary use certificate to maintain the land and use it as described in the certificate, but the holder has no right to sell or lease the land. It is also forbidden to take land possession without following the required legal procedures. If the government terminates a lease in connection with a decision to acquire land, this has to be done by following appropriate legislation, and the holder of the lease must be provided with property of equal value or given full compensation for the loss of assets. In case of disagreements, acquisition will not occur before a court decision has been rendered on the dispute.

17. Land for HIRD will be limited to State-reserve land and land managed/administered by Government agencies/bodies that have been approved for residential use. Land to be used for HIRD will not involve the acquisition of land that is owned by or leased to individuals or private entities. The site selection criteria and procedures developed under the ESMS will ensure that none of the sites involve land acquisition and resettlement.

### **c. ADB Safeguard Policy Statement (2009)<sup>3</sup>**

18. All ADB-assisted projects are required to comply with the ADB Safeguard Policy Statement (2009) which covers three key areas: environmental safeguards, involuntary resettlement safeguards, and indigenous peoples' safeguards. These safeguards aim to avoid adverse impacts of projects on the environment and affected people, where possible, and to minimize, mitigate, and/or compensate for adverse project impacts on the environment and affected people when avoidance is not possible. As a policy, ADB will not finance projects that do not comply with the Safeguard Policy Statement, nor will it finance projects that do not comply with the host country's social and environmental laws and regulations, including obligations/commitments of the host country to international treaties. In addition, ADB will not finance activities on its prohibited investment activities list.

19. Considering ADB's Safeguard Policy Statement, PCB recognizes that housing construction in new sites financed under the HIRD requires sound site selection to ensure that these sites are not situated in or near environmentally sensitive areas, will not cause any long-term impacts on the surrounding environment, and will not cause permanent or temporary involuntary resettlement or impacts on indigenous peoples.

<sup>3</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

#### **d. ADB Social Protection Requirements**

20. ADB's Social Protection Strategy requires all PCBs to comply with applicable labor laws in relation to its participation in the HIRD program. In order to comply with core labor standards<sup>4</sup> incorporated in ADB's Social Protection Strategy, PCB will:

- a. carry out its activities consistent with the intent of ensuring legally permissible equal opportunity, fair treatment and nondiscrimination in relation to recruitment and hiring, compensation, working conditions and terms of employment for its workers (including prohibiting any form of discrimination against women during hiring and providing equal work for equal pay for men and women);
- b. not restrict its workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and
- c. engage contractors and other providers of goods and services:
  - i. that do not employ child labor<sup>5</sup> or forced labor;<sup>6</sup>
  - ii. that have appropriate management systems that will allow them to operate in a manner which is consistent with the intent of (A) ensuring legally permissible equal opportunity and fair treatment and non- discrimination for their workers, and (B) not restricting their workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and
  - iii. whose subcontracts contain provisions which are consistent with subparagraphs i and ii above.

### **III. ENVIRONMENTAL AND SOCIAL MANAGEMENT PROCEDURES**

21. At each stage of approving and releasing the mortgage loan, PCB will review all information related to the ESMS submitted by the relevant branch of PCB and will make a decision: (i) to approve, if the request complies with the ESMS; or (ii) to not approve the request if it does not comply with the ESMS. The procedure for incorporating environmental and social aspects of the HIRD will be as follows:

#### **Preparatory Activities**

22. Each PCB branch will designate its current technical expert at the PCB Branch Office as an ESMS Field Staff (EFS). The EFS is responsible for implementing activities and securing documents needed as part of implementing the ESMS from the site selection phase, house

<sup>4</sup> The core labor standards are the elimination of all forms of forced or compulsory labor; the abolition of child labor; elimination of discrimination in respect of employment and occupation; and freedom of association and the effective recognition of the right to collective bargaining, as per the relevant conventions of the International Labor Organization.

<sup>5</sup> Child labor means the employment of children whose age is below the statutory minimum age of employment in the relevant country, or employment of children in contravention of International Labor Organization Convention No. 138 'Minimum Age Convention' ([www.ilo.org](http://www.ilo.org)).

<sup>6</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

construction, and house hand-over. The EFS will be oriented through a series of orientation sessions to be organized by the ESMS Coordinator in PCB on the different review and monitoring checklists and forms that will be used as part of the ESMS and the specific roles of the EFS staff, including their relation to the field staff of the Technical Supervision Engineer and concerned agencies.

### Site Selection

23. Site selection is primarily the responsibility of the district *hokimiyat*, with inputs from the district Architecture and Construction Committee, the district Geology and Hydrology Committee, the district Cadastre and Cartography Committee, and the district/regional Nature Protection Committee. Qishloq Qurilish Invest (QQI) as Technical Supervision Engineer (TSE), on behalf of the District *hokimiyat* recruits a consultant to prepare a project description and justification required for environmental Class 4 projects and submit it to the Regional Nature Protection Committee for clearance. The final decision on site selection for construction of rural housing is the responsibility of Regional Nature Protection Committee. Table 1 shows the basic procedures and agencies involved in site selection.

**Table 1: Basic Procedures and Units Involved in Site Selection**

Step	Agency	Responsibility
1	District Local Government / <i>hokimiyat</i> assisted by district staff from the Architecture and Construction Committee	Select possible land for residential blocks from available land reserve for non-agricultural activities (The minutes of the meeting will be used to make a decision for allocation of land. In some locations, the meeting is chaired by the Deputy Governor.)
2	District Geology and Hydrology Committee	Provide assessment on geology and hydrology conditions. Check suitability of the area for housing.
3	Regional Committee on Architecture and Construction	Issue Confirmation on Residential block into 2 volumes: Vol. 1. Siting/location of residential block with clear demarcation of its borders. Vol. 2. Siting/Location of residential block with clear required connection to basic utilities (gas pipeline, electricity, roads).
4	District Local Government	Recruit a consultant to prepare an environmental assessment report (simple report to justify that the proposed activities generates only local impacts) and submit it to Regional Nature Protection Committee.
5	Regional Nature Protection Committee	Issues opinion (evaluation) on suitability of the area for housing and instructs District Nature Protection Staff to monitor certain indicators during construction.

24. The EFS will gather data from the District *hokimiyat*, the district Natural Protection Committee, and the district Cadastre Office on (i) the size of each residential block, (ii) the types of original occupant or ownership land of the residential blocks and the date when the land was registered as reserve land for non-agricultural use, and (iii) the distance of the residential blocks from environmentally and socially sensitive areas (i.e., river/stream/canal, forest, or other environmentally sensitive areas, archeological monument, and factories). The EFS will also gather data on informal land users on the proposed housing sites whose livelihood may be adversely affected or any complaint raised by community residents and other stakeholders on the selected site. Related to this, the EFS will complete FORM 1.

## **Potential Borrowers**

25. After gathering the information for FORM 1, the EFS will indicate the residential blocks that meet the PCB selection criteria to be eligible for ADB funding and residential blocks that need to be funded from resources. As the next step, the EFS will list potential borrowers who could buy a house in these residential blocks. The data on residential blocks that meet this criteria with potential borrowers to be funded by ADB will be summarized in the data sheet for easy reference (sample Data sheet attached as FORM 2). This data sheet for each block will include the following attachments: (a) Act of the Regional Selection Committee on the selected site; and (b) Environmental Opinion from Regional Nature Protection Committee.

26. Data gathered by the EFS (including FORMS 1 and 2) will be kept at PCB's branch office for its working reference. A copy of FORM 1 and FORM 2 (including attachments) will be scanned and emailed to the ESMS Coordinator for its reference in releasing funds for housing construction.

## **Mortgage Approval and Release**

27. Prior to approving the mortgage loan, the PCB branch office will require a submission of certificate describing the readiness of the site for construction of rural housing signed by QQI as TSE. This certificate should include confirmation that there is no complaint on this selected residential block. The PCB Branch Office, through its EFS will cross check the information through field monitoring. The EFS will provide a short note of his/her assessment to be included in the submission from the PCB Branch Office.

28. Prior to releasing each of the payments under the mortgage loan, the PCB branch office will ensure that QQI as TSE and the contractors have complied with the requirements of the provincial or regional Nature Protection Committee, and with existing government norms on health, safety, and labor including non-involvement of child labor. PCB branch offices will request a submission of compliance record signed by QQI as TSE to ensure that: (i) there are no violations of environmental laws and regulations, or of health, safety, or labor norms, (ii) the debris from construction works have been properly disposed, (iii) the amounts due for renting areas for temporary storage of construction materials, if any, have been fully paid, and (iv) there are no complaints from affected people related to construction works.

29. The PCB branch office, through its EFS will cross check the information provided in paras. 34 and 35 with information collected by the EFS during its field monitoring and provide a short note of his/her assessment in the certificate issued by the technical supervision engineer.

## **House Hand-over and Guarantee Period**

30. At the end of the 1-year construction guarantee period, the EFS will ensure that QQI as TSE and contractors have completed all work requirements, especially with regard to environmental requirements, i.e., waste water pipe connection to the approved collection system and connection to the main drainage system. In this context, PCB will request the submission of: (i) a certificate, signed by QQI as TSE, that all required facilities from each house are well functioning, and (ii) a letter from the homebuyer explaining whether or not s/he is satisfied.

## Monitoring, Reporting, and Disclosure

31. PCB will prepare an annual report on implementation of its ESMS and submit it to ADB and other relevant agencies. If requested, PCB will make the report available to the public and allow the report to be disclosed on the websites of any of the relevant government agencies.

## Grievance Redress Mechanism.

32. The PCB branch offices are designated as the receiver of complaints from people affected by the HIRD program. Complaints received by the headquarters office of PCB will first be referred back to the appropriate PCB branch office. All complaints will be addressed first by the PCB branch office in coordination with local *hokimiyat*. The PCB branch office, through its EFS, will also monitor whether any complaints or resolutions have been received by the local *hokimiyat*. A response to any complaint or inquiry should be provided within 15 calendar days after receipt.

33. If the PCB branch office is unable to resolve the complaint, the headquarters office of PCB, in coordination with regional *hokimiyat*, will be responsible to resolve the problem and to inform ADB of any unresolved problem. However, this mechanism for resolving complaints does not preclude a complainant from submitting his or her concern to ADB or to higher government bodies such as the Cabinet of Ministers.

34. The ESMS coordinator at PCB headquarters office will be responsible for coordinating actions to resolve complaints and follow up on activities as part of resolving the complaints, for recording all complaints and the status of resolution of complaints received by local PCB branches, and for preparing a summary of the complaints received and the status of resolution of each complaint to be included in PCB's ESMS annual report.

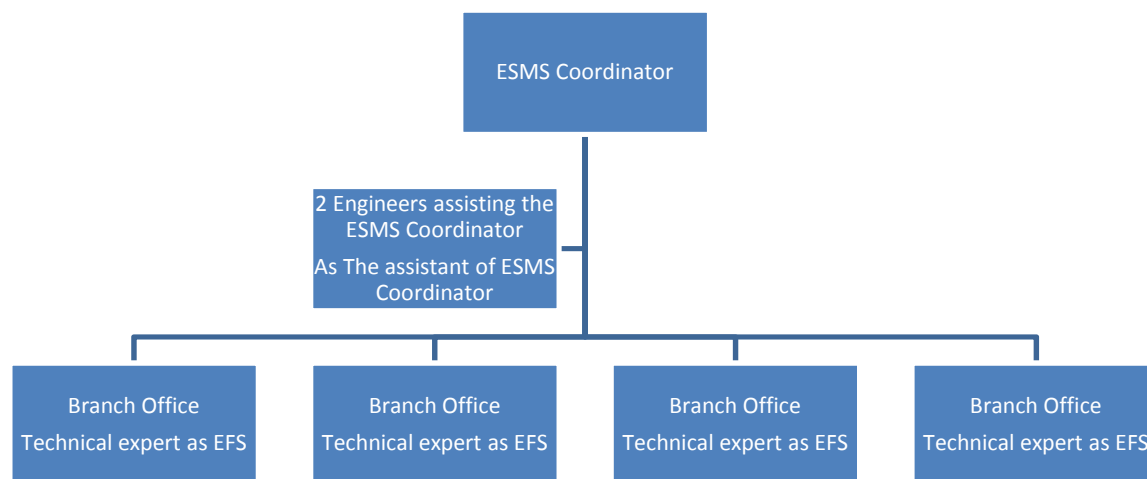
## Organizational Responsibilities, Resources and Capacity

### 1. Institutional Arrangement

35. *[Insert name of position]* will take the role as ESMS coordinator and be responsible for overall implementation of the ESMS. *Briefly outline staffing levels to assist the ESMS coordinator and their role(s) in supporting the ESMS coordinator.* The ESMS coordinator will report to the Chairman of PCB.

36. The ESMS coordinator will have access directly to the technical expert officer who is also assigned as an EFS in each branch of PCB. However, all reports and documents submitted by the EFS to the ESMS Coordinator should be sent through the Head of PCB branch office.

37. If more resources are required due to the size and/or number of rural housing borrowers, PCB will recruit additional staff for its branch offices, who will also be assigned as an EFS.



## 2. Continued Strengthening of the Implementation of the ESMS

38. PCB will conduct regular training workshops to enhance its EFS in implementing the ESMS. In the course of such training workshops, QOI as TSE will also be required to participate to ensure that they fully understand the ESMS requirements.

39. PCB will also invite experts (e.g., staff from Regional and District Nature Protection Committees and environmental and social experts) as resource persons on its regular training workshops.

## 3. Funding Requirement

40. PCB will allocate resources to train its staff to implement the ESMS and allocate budget on an annual basis to implement the ESMS.

**FORM 1****DATA TO BE COLLECTED IN COLLABORATION WITH DISTRICT *HOKIMIYAT*****Province:**

<b>Name of the Residential Massive</b>	<b>Total Size of the Residential Massive (Hectares)</b>	<b>Year when the land was initially listed in the Government Land Reserve for Housing Construction</b>	<b>Other previous owner/ lease holder of the land, and the size of land that belongs to this previous owner<sup>7</sup></b>	<b>Distance from Forest area (km)</b>	<b>Distance from River/Canal (km)</b>	<b>Distance from other protected area both for ecological function and cultural heritage (km)</b>

<sup>7</sup> This data can be found in the Act/Certificate of the Regional Selection Committee on the selected site. This Act/Certificate is issued after the meeting of the selection committee. The owner/land lease holder is also a member of the Selection Committee if the selected land includes land that is not part of the reserve land.

**FORM 2****DATA ON (POTENTIAL) BORROWERS AND HOUSING MASSIVES<sup>8</sup>****District Name:** \_\_\_\_\_

No	Residential Massives that meet Safeguard Selection Criteria	Potential Borrowers	Other information about the Borrowers (This part can be combined with information related to other selection criteria)

<sup>8</sup> This form will be filled in by ESMS expert in the field after checking the location that meets safeguard selection criteria. This Form can be expanded to record other information about the borrower related to other selection criteria.

**FORM 3****RECORDING FIELD MONITORING ON CONSTRUCTION WORKFLOW**

Location of Residential Massive visited	Provide information on the name of the location of the residential massive, district, province
Date of field monitoring/visit	

PROGRESS ON CONSTRUCTION WORKS	
<p><b>1. Completion of civil works.</b> Describe: (1) when was the construction work started and when it is expected to be completed; (2) construction work completion percentage or (foundation under construction/ completed, walls under construction/completed, roof under construction/completed, finishing of the interior of the house and painting works etc.)</p>	
<p><b>2. Compliance with environmental laws and norms.</b>  Observe the contractors' work, and check with the Staff of the District Natural Protection Committee (also making notes on the names of the staff of the Committee and getting their signatures if necessary) if the contractor is violating any environmental laws.</p> <p><b>3. Compliance with norms on health and safety, as well as labor laws.</b>  Observe the contractors' works, and check with the Technical Supervision Engineer (TSE), if the contractor is violating these norms (also making notes on the name of the TSE staff and getting their signatures if necessary)</p>	
<p><b>4. Complaints from affected people.</b>  Check with local <i>hokimiyat</i>, and TSE if any complaint related with the construction works were received (e.g., road or sewer was blocked during construction, noise is too loud, construction workers behave improperly, etc.) or problems related to location of the rural housing under construction (e.g., the land is used as grassland or has other functions)</p>	

Name of PCB Technical Expert	Field observation from EFS staff
Signature	

## SCREENING PROCESS FOR SELECTION OF HOUSING BLOCK/MASSIVE TO BE FUNDED BY THE ADB LOAN

### ENVIRONMENTAL SCREENING FORM:

**Instructions:** Answer the questions assuming the “without mitigation” case. The purpose is to identify potential impacts. Use the “remarks” section to discuss any anticipated mitigation measures. This environmental checklist should be applied to each housing site/block/massive

#### Decisions:

1. If any question in Group A has a “YES” answer, the Housing block/Massive should not be funded by the ADB loan.
2. If Group B questions have more than 3 “YES” answers, the Housing block/Massive should not be funded by the ADB loan.

Screening Questions	Yes	No	Remarks
<b>A. PROJECT SITING</b> IS THE PROJECT AREA ADJACENT TO OR WITHIN ANY OF THE FOLLOWING AREAS:			
Underground utilities			
Cultural heritage site			
Protected Area			
Wetland			
Mangrove			
Estuarine			
Buffer zone of protected area			
Special area for protecting biodiversity			
Bay			
<b>B. POTENTIAL ENVIRONMENTAL IMPACTS</b> WILL THE PROJECT CAUSE:			
Encroachment on historical/cultural areas?			
Encroachment on precious ecology (e.g., sensitive or protected areas)?			
Impacts on the sustainability of associated sanitation and solid waste disposal systems?			
Dislocation or involuntary resettlement of people?			
Disproportionate impacts on the poor, women and children, Indigenous Peoples, or other vulnerable groups?			
Accident risks associated with increased vehicular traffic, leading to loss of life?			
Increased noise and air pollution resulting from increased traffic volume?			

Screening Questions	Yes	No	Remarks
Occupational and community health and safety risks?			
Risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during project construction and operation?			
Generation of dust in sensitive areas during construction?			
Requirements for disposal of fill, excavation, and/or spoil materials?			
Noise and vibration due to blasting and other civil works?			
Long-term impacts on groundwater flows as result of needing to drain the project site prior to construction?			
Long-term impacts on local hydrology as a result of building hard surfaces in or near the building?			
Large population influx during project construction and operation that causes increased burden on social infrastructure and services (such as water supply and sanitation systems)?			
Social conflicts if workers from other regions or countries are hired?			
Risks to community safety caused by fire, electric shock, or failure of the building's safety features during operation?			
Risks to community health and safety caused by management and disposal of waste?			
Community safety risks due to both accidental and natural hazards, especially where the structural elements or components of the project are accessible to members of the affected community or where their failure could result in injury to the community throughout project construction, operation and decommissioning?			

<b>Climate Change and Disaster Risk Questions</b> The following questions are not for environmental categorization. They are included in this checklist to help identify potential climate and disaster risks.	Yes	No	Remarks
Is the Project area subject to hazards such as earthquakes, floods, landslides, tropical cyclone winds, storm surges, tsunami or volcanic eruptions and climate changes (see Appendix I)?			
Could changes in precipitation, temperature, salinity, or extreme events over the Project lifespan affect its sustainability or cost?			
Are there any demographic or socio-economic aspects of the Project area that are already vulnerable (e.g. high incidence of marginalized populations, rural-urban migrants, illegal settlements, ethnic minorities, women or children)?			
Could the Project potentially increase the climate or disaster vulnerability of the surrounding area (e.g., increasing traffic or housing in areas that will be more prone to flooding, by encouraging settlement in earthquake zones)?			

**Appendix I: Environments, Hazards and Climate Changes**

<b>Environment</b>	<b>Natural Hazards and Climate Change</b>
<b>Arid/Semi-arid and desert environments</b>	Low erratic rainfall of up to 500 mm rainfall per annum with periodic droughts and high rainfall variability. Low vegetative cover. Resilient ecosystems & complex pastoral and systems, but medium certainty that 10–20% of dry lands degraded; 10–30% projected decrease in water availability in next 40 years; projected increase in drought duration and severity under climate change. Increased mobilization of sand dunes and other soils as vegetation cover declines; likely overall decrease in agricultural productivity, with rain-fed agriculture yield reduced by 30% or more by 2020. Earthquakes and other geophysical hazards may also occur in these environments.
<b>Humid and sub-humid plains, foothills and hill country</b>	More than 500 mm precipitation per year. Resilient ecosystems & complex human pastoral and cropping systems. 10–30% projected decrease in water availability in next 40 years; projected increase in droughts, heat waves, and floods; increased erosion of loess-mantled landscapes by wind and water; increased gully erosion; landslides likely on steeper slopes. Likely overall decrease in agricultural productivity & compromised food production from variability, with rain-fed agriculture yield reduced by 30% or more by 2020. Increased incidence of forest and agriculture-based insect infestations. Earthquakes and other geophysical hazards may also occur in these environments.
<b>River valleys/deltas and estuaries and other low-lying coastal areas</b>	River basins, deltas, and estuaries in low-lying areas are vulnerable to riverine floods, storm surges associated with tropical cyclones/typhoons and sea level rise; natural (and human-induced) subsidence resulting from sediment compaction and ground water extraction; liquefaction of soft sediments as result of earthquake ground shaking. Tsunami possible/likely on some coasts. Lowland agribusiness and subsistence farming in these regions at significant risk.
<b>Small islands</b>	Small islands generally have land areas of less than 10,000 km <sup>2</sup> in area, though Papua New Guinea and Timor with much larger land areas are commonly included in lists of small island developing states. Low-lying islands are especially vulnerable to storm surge, tsunami, and sea-level rise and, frequently, coastal erosion, with coral reefs threatened by ocean warming in some areas. Sea level rise is likely to threaten the limited ground water resources. High islands often experience high rainfall intensities, frequent landslides and tectonic environments in which landslides and earthquakes are not uncommon with (occasional) volcanic eruptions. Small islands may have low adaptive capacity and high adaptation costs relative to GDP.
<b>Mountain ecosystems</b>	Accelerated glacial melting, rockfalls/landslides and glacial lake outburst floods, leading to increased debris flows, river bank erosion and floods and more extensive outwash plains and, possibly, more frequent wind erosion in intermontane valleys. Enhanced snow melt and fluctuating stream flows may produce seasonal floods and droughts. Melting of permafrost in some environments. Faunal and floral species migration. Earthquakes, landslides, and other geophysical hazards may also occur in these environments.
<b>Volcanic environments</b>	Recently active volcanoes (erupted in last 10,000 years—see <a href="http://www.volcano.si.edu">www.volcano.si.edu</a> ). Often fertile soils with intensive agriculture and landslides on steep slopes. Subject to earthquakes and volcanic eruptions including pyroclastic flows and mudflows/lahars and/or gas emissions and occasionally widespread ashfall.

**SOCIAL SAFEGUARD SCREENING FORM****1. Land Acquisition Impacts**

**Instructions:** Answer "yes" or "no" for each housing block/site/massive question

**Decision:**

**If any question has a "YES" answer, the Housing block/Massive/site should not be funded by the ADB loan.**

Probable Involuntary Resettlement Effects	Yes	No	Not Known	Remarks
<b>Involuntary Acquisition of Land</b>				
1. Will there be land acquisition for the residential block/massive/site?				
2. Is the site for land acquisition known?				
3. Was the land for housing block/massive/site registered as a <i>hokimiyat</i> reserve land prior to 31 December 2009 (for 2012 houses), 31 December 2010 (for 2013 houses), 31 December 2011 (for 2014 houses), or 31 December 2012 (for 2015 houses)				
4. Is the ownership status and current usage of land to be acquired known?				
<b>Involuntary restrictions on land use or on access to legally designated parks and protected areas</b>				
5. Will people lose access to natural resources, communal facilities, or services?				
6. If land use is changed, will it have an adverse impact on social and economic activities?				
7. Will access to land and resources owned communally or by the state be restricted?				
<b>Information on Displaced Persons:</b>				
<b>Any estimate of the likely number of persons that will be displaced by the Project?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, approximately how many? _____				
<b>Are any of them poor, female heads of households, or vulnerable to poverty risks?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes				
<b>Are any displaced persons from indigenous or ethnic minority groups?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes				

Note: The project team may attach additional information on the project, as necessary.

## 2. INDIGENOUS PEOPLE IMPACTS

**Instructions:** Answer "yes" or "no" for each housing block/site/massive question

**Decision:**

**If any question has a "YES" answer,** the housing block/massive/site should not be funded by the ADB loan.

KEY CONCERNS (Please provide elaborations in the Remarks column)	YES	NO	NOT KNOWN	Remarks
<b>A. Indigenous Peoples Identification</b>				
1. Are there socio-cultural groups present in or use the project area who may be considered as "tribes" (hill tribes, scheduled tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities" in the project area?				
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?				
3. Do such groups self-identify as being part of a distinct social and cultural group?				
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
6. Do such groups speak a distinct language or dialect?				
7. Have such groups been historically, socially, and economically marginalized, disempowered, excluded, and/or discriminated against?				

<b>KEY CONCERNS</b> (Please provide elaborations in the Remarks column)	<b>YES</b>	<b>NO</b>	<b>NOT KNOWN</b>	<b>Remarks</b>
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?				
<b>B. Identification of Potential Impacts</b>				
9. Will the project directly or indirectly benefit or target Indigenous Peoples?				
10. Will the project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g., child-rearing, health, education, arts, and governance)				
11. Will the project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)				
12. Will the project be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?				
<b>C. Identification of Special Requirements</b> <i>Will the project activities include:</i>				
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?				
14. Physical displacement from traditional or customary lands?				
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?				

<b>KEY CONCERNS</b> (Please provide elaborations in the Remarks column)	YES	NO	NOT KNOWN	Remarks
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?				
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?				
Prepared By:  Signature: Name: Position:  Date:	Verified by:  Signature: Name: Position:  Date:			

## Housing for Integrated Rural Development Investment Program

### PIU/PCB ANNUAL SAFEGUARD REPORT TEMPLATE

Please provide responses to the questions below. Please include additional sheets or attachments as required to provide details on questions that have been answered Yes. The Bank is required to submit the annual performance report to ADB.

<b>Name of Bank</b>			
<b>Completed by (name):</b>			
<b>Position in organization:</b>			

#### A. Reporting Period

<b>Report Covering Period:</b>	
<b>From:</b>	<b>To:</b>

#### B. Environmental and Social Management System (ESMS)

Policies & Processes	Yes/No	
Has your organization developed and implemented an ESMS?		If yes, please attach a copy of the ESMS to this report.
If there is an ESMS already in place, have there been any updates to the ESMS or policy and procedures adopted by your organization during the reporting period?		If yes, please provide a copy of the updates including dates and reasons for the same.
Has senior management signed off on the updated policy/procedure?		If yes, please provide the date and internal communication indicating the same.
Has your organization appointed staff tasked to implement the ESMS?		If yes, please provide information on number of staff and qualification (experience and education background) to implement the ESMS.
Please give details of any transactions rejected due to environmental and/or social concerns.		
Please state any difficulties and/or constraints related to the implementation of the ESMS.		
Please give details of any material social and environmental issues associated with activities during the reporting period in particular.		

In case the existing ESMS is not fully functional, what is the action plan being implemented by your organization?		Please provide information or cite recommendation made by ADB's review mission to improve the ESMS and its implementation.
<b>Capacity</b>	<b>Yes/No</b>	
Please provide the name and contact information of the Environmental/Social Officer or Coordinator who has the overall responsibility for the implementation of ESMS.		
Please provide current staffing of other core ESMS persons in the organization involved with ESMS implementation.		Please provide names and their main tasks.
What was the budget allocated to the ESMS and its implementation during the year?		Please provide budget details including staff costs and training as well as any actual costs.
<b>Monitoring</b>	<b>Yes/No</b>	
Do you check for ongoing compliance of your subprojects with national regulations and any other requirements?		If yes, please describe the process including any social and environmental considerations if applicable.
Please describe how you monitor subprojects, including monitoring of social and environmental issues.		Please describe and provide supporting documents such as environmental and social monitoring reports and please provide information on the number of subprojects where a field visit was conducted by staff to review aspects including social and environmental issues.
Please provide details of any accidents/ litigation/complaints/ regulatory notices and fines: - Any incidents of non-compliance with the applicable environmental and Social Requirements - Covenants/conditionalities imposed by the bank with respect to any subproject as a result of any non-compliance		
<b>Reporting</b>	<b>Yes/No</b>	
Is there an internal process to report on social and environmental issues to senior management?		If yes, please explain the process, reporting format and frequency and actions taken if any.
Do you prepare any social and environmental reports: - For other multilateral agencies - Other stakeholders		If yes, please provide copies of these reports.

- E&S reporting in the Annual Report - Sustainability reports		
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### C. Subprojects Using ADB Funds

Please provide information about all new subprojects using ADB funds approved during this reporting period.

#### 1. Data to be collected in collaboration with District *Hokimiyat*

[insert, in alphabetical order by province, the data sheets in the format set forth in Appendix 1]

#### 2. Data on (Potential) Borrowers and Housing Massives

[insert, in alphabetical order by province, the data sheets in the format set forth in Appendix 2]

#### 3. Data on Safeguards Compliance and Complaints

a. Confirm that due diligence with respect to (i) compliance with environmental laws and regulations, (ii) compliance with norms on health and safety, as well as labor norms, and (iii) complaints related to the construction works (e.g., road or sewer was blocked during construction, excessive noise, misbehavior of construction workers) or any issue related with location of the rural housing (e.g., used to be grazing land or field for crops) was conducted on each subproject financed by the bank during the reporting period, or identify which subprojects did not receive such due diligence and the reason for such non-compliance.

b. Identify each massive with respect to which the bank's due diligence revealed, or the bank otherwise learned that (i) the contractor violated any environmental law/regulation, (ii) the contractor failed to comply with any norm on health, safety, or labor, or (iii) the local *hokimiyat* or the technical supervising engineer received any complaint related to the construction works or any issue related with location of the rural housing. Describe each such violation or complaint and explain how it was remedied or addressed.

**D. Report on Compliance with ADB's Social Protection Requirements**

Question	Yes/No	
Does the bank and, to the best of its knowledge, any contractor receiving funds lent by the bank under the Housing for Integrated Rural Development program (or any subcontractor known or believed to be hired by any such contractor), carry out its activities consistent with the intent of ensuring legally permissible equal opportunity, fair treatment and non-discrimination in relation to recruitment and hiring, compensation, working conditions and terms of employment for its workers (including prohibiting any form of discrimination against women during hiring and providing equal work for equal pay for men and women?		If no, please explain any non-compliance in detail.
Does the bank or, to the best of its knowledge, any contractor receiving funds lent by the bank under the Housing for Integrated Rural Development program (or any subcontractor known or believed to be hired by any such contractor), restrict its workers from developing a legally permissible means of expressing their grievances and protecting their rights regarding working conditions and terms of employment?		If yes, please explain any non-compliance in detail.
Does the bank, to the best of its knowledge, any contractor receiving funds lent by the bank under the Housing for Integrated Rural Development program (or any subcontractor known or believed to be hired by any such contractor), utilize child labor <sup>1</sup> or forced labor <sup>2</sup> ?		If yes, please explain any non-compliance in detail.

<sup>1</sup> Child labor means the employment of children whose age is below the statutory minimum age of employment in the relevant country, or employment of children in contravention of International Labor Organization Convention No. 138 'Minimum Age Convention' ([www.ilo.org](http://www.ilo.org)).

<sup>2</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

### ADB REVIEW MISSIONS

Type of Mission	Timing	Activities
<b>Inception Mission</b> This continues the work done during processing to its next stage and initiates the process of program implementation.	Within 1 month after loan effectiveness	<ul style="list-style-type: none"> <li>Establish working relationships with MOE and PCBs directly involved in implementing the program, Project 1, and the TA;</li> <li>Advise MOE on establishing independent project records and accounting systems and PPMS for the program and projects;</li> <li>Discuss initial PPMS prepared by MOE and provide inputs;</li> <li>Explain ADB's reporting requirements for the program; and agree on a reporting format, allocation of responsibility in line with the program design and monitoring framework that captures the key inputs, outcome, outputs and activities required for the project performance report (PPR), and a reporting schedule;</li> <li>Discuss with MOE the timing for the first review mission; and</li> <li>Finalize and discuss in detail with MOE and PCBs the FAM, which was initiated and drafted during program appraisal. The revised draft FAM will be attached to the memorandum of understanding (MOU) to be signed by MOE and the mission.</li> </ul>
<b>Review Mission2</b> Reviews overall implementation of Project 1 and Project 2	Twice a year or as necessary	<ul style="list-style-type: none"> <li>Examine implementation problems that Project is encountering or is likely to encounter, and work out measures with MOE and PCBs to resolve them;</li> <li>Review PCBs' progress on disbursement, and assess their performance; If there is delay, discuss proposed remedial measures with them</li> <li>Assess the likelihood of attaining Project's immediate development objective as indicated in the assumptions and risks sections of the PPR; and</li> <li>Examine any other matter related to Project that requires ADB's attention.</li> </ul>
<b>Midterm Review Mission</b> Assesses whether attainment of the program's immediate objective (purpose in terms of the design and monitoring framework) is still likely	Project 1 – Nov 2013 Project 2 – Oct 2014	<ul style="list-style-type: none"> <li>Review institutional, administrative, organizational, technical, environmental, social, economic, and financial aspects of the program based on the assumptions and risks included in the design and monitoring framework and updated PPR;</li> <li>Review covenants to assess whether they are still relevant or need to be changed, or waived due to changing circumstances;</li> <li>Assess need to restructure or reformulate the program and the effects of this on the immediate objectives (purpose) and long-term goals of the project; and</li> <li>Update the project's design and monitoring framework where restructuring or reformulation is necessary or its immediate objectives will change.</li> <li>Results of the midterm review shall be discussed by MOE, PCBs and the ADB and if required, appropriate corrective measures shall be formulated to ensure successful program implementation and achievement of the program objectives.</li> </ul>
<b>Project 1 and Project 2 Completion Review Mission</b> Evaluates the adequacy of preparation; design; appraisal; implementation arrangements; and	One month after submission of the Project Completion Report	<ul style="list-style-type: none"> <li>Evaluate the processing and design of each project, both by ADB and MOE;</li> <li>Assess the performance of MOE and the PCBs in managing and implementing the project, in complying with ADB's guidelines, policies, practices, procedures;</li> <li>Assess the performance of consultants with respect to services;</li> <li>Review problems encountered during implementation and the effectiveness of measures to resolve them, by MOE, the PCBs, and ADB</li> <li>Assess whether MOE, the PCBs, and ADB monitored progress effectively in comparison with</li> </ul>

Type of Mission	Timing	Activities
performance of MOE, PCBs, and ADB		quantifiable and monitoring targets;
<b>Program Completion Review Mission</b> Evaluates the adequacy of preparation; design; appraisal; implementation arrangements; and performance of MOE, PCBs, and ADB,		<ul style="list-style-type: none"> <li>• Evaluate the processing and design of each project, both by ADB and MOE;</li> <li>• Assess the performance of MOE and the PCBs in managing and implementing the program, in complying with ADB's guidelines, policies, practices, procedures, and evaluate project costs, and disbursements;</li> <li>• Assess the performance of consultants with respect to services;</li> <li>• Review problems encountered during implementation and the effectiveness of measures to resolve them, by MOE, the PCBs, and ADB</li> <li>• Assess whether MOE, the PCBs, and ADB monitored progress effectively in comparison with quantifiable and monitoring targets;</li> <li>• Re-evaluate the financial and economic performance of the program at its initial stage of operation and compare with the qualified indicators in the design and monitoring framework and PPR;</li> <li>• Recommend any other steps that MOE and the PCBs need to take to ensure the program's sustainable operation; assess the performance of the monitoring and evaluation system established for the program and re-examine the indicators selected for monitoring operations and assessing development impact;</li> <li>• Assess significant poverty reduction impacts of the program; and</li> <li>• Assess whether the immediate development objective has been met and the likelihood of attaining long-term development goal.</li> </ul>

## GENDER ACTION PLAN

Activity	Target Indicator	Responsibility and Resources
<b>Outcome: Downstreaming of rural housing scheme for moderate and lower income beneficiaries, with a focus on women</b>		
1. Increasing access to housing financing for rural women	<ul style="list-style-type: none"> <li>At least 30% (2,355) of targeted 7,851 new housing loans provided to women</li> <li>Number of approved HIRD loans for rural women increased by at least 20% (by 454) from 2014 to 2015</li> </ul>	PIU, PCBs
<b>Output 1: Housing loans provided by PCBs to targeted creditworthy sub-borrowers in rural areas</b>		
1. Improve gender sensitization of PCBs, HIRD social messages, and HIRD public information campaign	<ul style="list-style-type: none"> <li>Adoption by board of directors of each PCB of a gender policy</li> <li>At least 2,000 HIRD social messages focused on raising gender awareness, including gender sensitive topics and addressing gender issues such as the need for increasing women's housing ownership and the importance of both women and men knowing the eligibility requirements for HIRD and the HIRD application process</li> </ul>	PCBs, PIU Gender Specialist (social messages to be financed by PCBs)
2. Increase gender outreach of HIRD public information campaign by consulting with regional women's committees and Business Women's Association	<ul style="list-style-type: none"> <li>HIRD consultations with women's committees held in 13 regions, with representation from at least 6 districts in each region</li> <li>HIRD public information packages sent to regional teachers and healthcare professional associations in 13 regions</li> </ul>	PIU Gender Specialist PIU and PCBs (PCBs' budget)
3. Assess regional differences in percentages of women applicants and develop recommendations for reducing regional disparities	<ul style="list-style-type: none"> <li>Report containing action plan for reducing regional disparities completed by 31 December 2015</li> </ul>	PIU Gender Specialist, PCBs PIU Budget
4. Monitor gender sensitization of HIRD credit evaluation processes	<ul style="list-style-type: none"> <li>Sex-disaggregated PCB training reports</li> <li>Sex-disaggregated PCB credit appraisal performance reports</li> </ul>	PCBs
5. Obtain and assess sex-disaggregated data on performance of PCBs' HIRD loan portfolios	<ul style="list-style-type: none"> <li>Report prepared by each PCB</li> </ul>	PCBs, PIU Gender Specialist
6. Register houses in the names of both spouses	<ul style="list-style-type: none"> <li>100% of HIRD houses registered in the names of both spouses, starting in 2016</li> </ul>	PCBs, Local Governments, Cadastral Authorities
<b>Output 2: Improved capacity of local governments to prepare and implement integrated rural development plans and investment promotion strategies</b>		
1. Develop gender sensitized	<ul style="list-style-type: none"> <li>At least 30% (2,400) of 8,000 local government staff trained in integrated rural development plans and/or HIRD processes are women.</li> </ul>	PIU/Regional Academic and Training Institutes
	<ul style="list-style-type: none"> <li>Sex-disaggregated training reports</li> </ul>	PIU/Regional

Activity	Target Indicator	Responsibility and Resources
and sex-disaggregated results-based reporting formats for parallel government rural skills and capacity building programs		Academic and Training Institutes
2. Incorporate gender issues in curriculum for integrated rural development planning and investment promotion for towns	<ul style="list-style-type: none"> <li>Gender-sensitized curriculum</li> <li>Sex-disaggregated training reports</li> </ul>	PIU/Academy for Public Administration
<b>Output 3: Improved enabling environment for entrepreneurs and MSEs to expand or establish new businesses in rural areas</b>	<ul style="list-style-type: none"> <li>Survey undertaken to establish quantitative baseline of number and percentage of female property ownership and women micro and small enterprises.</li> <li>At least 30% (3,000) of 10,000 new MSEs established in rural areas are owned by women.</li> <li>At least 450 women living in HIRD houses will receive MSME or microloans.</li> </ul>	PIU Gender Specialist/ Chamber of Commerce/Central Bank of Uzbekistan
<b>Results based performance monitoring, evaluation, and reporting</b>		
Assess and improve gender focus of HIRD results-based performance monitoring, evaluation, and reporting frameworks	<ul style="list-style-type: none"> <li>Gender-focused monitoring, evaluation and reporting on:               <ol style="list-style-type: none"> <li>HIRD Public Information Campaign</li> <li>HIRD Beneficiary Selection Process</li> <li>HIRD Capacity Building and Training Activities</li> </ol> </li> </ul>	PIU Gender Specialist

HIRD = Housing for Integrated Rural Development; MSEs = micro and small enterprises; PCB = participating commercial bank; PIU = program implementation unit.

Note: "Gender-sensitized" means showing awareness of women's and men's differential roles and the relations between them in society; taking into account women's needs, priorities, and responsibilities and the factors that often exclude women from participation and benefits; ensuring that program initiatives and activities are inclusive of women and are organized at times, in places, and in ways which make them accessible to women; and awareness of particular factors such as cultural perceptions of women's roles, female-headed households, and female-dominated occupations (e.g., teachers, health workers).

## UPDATED SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Uzbekistan	Project Title:	Housing for Integrated Rural Development Investment Program
Lending/ Financing Modality:	Multitranche Financing Facility/ Financial Intermediation Loan	Department/ Division:	Central and West Asia Department Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY	
<b>Targeting classification:</b> general intervention	
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>	
<p>The Housing for Integrated Rural Development (HIRD) Investment Program is a high priority component of Uzbekistan's Welfare Improvement Strategy (WIS) and ADB's Country Partnership Strategy (2012–2016) for achieving inclusive growth and greater diversification of the economy. The WIS focuses on accelerating rural development, increasing rural job and livelihood opportunities, and improving rural living conditions, to provide an attractive alternative to urban migration. Under HIRD, funds are onlent to participating commercial banks (PCBs) to finance construction and purchase of 40,800 new houses to be built in rural areas across the country. Financing for the acquisition of these houses is targeted to: moderate to lower-income families, families headed by women and single-headed households, and teachers and healthcare workers (two occupations where women predominate). HIRD also supports local government capacity building to develop and implement regional industry promotion strategies and integrated rural development plans, as well as the development of micro and small enterprises (MSEs) that currently generate 75% of jobs nationwide. HIRD capacity building is complemented by ADB technical assistance (TA) support under three TAs: Strengthening Governance and Improving Local Government Capacity for Results-Based Service Delivery; E-Government for Effective Public Management; and Enhancing Efficiency in Rural Infrastructure. In addition to HIRD and these three TAs, ADB's Uzbekistan Country Partnership Strategy (2012–2016) supports the government's rural development efforts as articulated in the WIS. The extensive ADB support includes increased rural access to water supply and sanitation, provision of better transport solutions, and increased access to more reliable electricity, as well as improvements in agricultural productivity, and by providing loans through banks for MSEs.</p>	
<b>B. Results from the Poverty and Social Analysis During Due Diligence</b>	
<p><b>1. Key poverty and social issues:</b> Over 60% of the poor live in rural areas and, while declining, rural poverty remains higher than urban poverty (20% rural, 13% urban in 2010). Rural employment improvements are limited by higher population growth and increases in the working age population from 54% in 2001 to 62% in 2014, as well as by significant decreases in agricultural jobs. As a result migration to cities is on the rise, as is the share of people in seasonal jobs and informal employment. Inputs to attract and retain professionals and skills needed to drive inclusive rural growth include quality education and health, better telecommunications and infrastructure, regional investment promotion and industry and agro-processing hubs, increased access to affordable finance, access to better housing, and improved rural living standards.</p> <p>Most rural houses were built during the Soviet period and are occupied by extended multigenerational families. Basic utilities are inconsistent and unreliable. Prior to the inception of the government's rural housing program, only 60,000 new houses were constructed annually nationwide, which is insufficient to keep up with population growth (1.5% per year) and the needs of the 200,000 young families ready to leave the parental home each year. Prior to the start of the HIRD program, most new housing construction occurred in urban areas; the HIRD program expands the supply of high-quality houses in rural areas.</p>	
<p><b>2. Beneficiaries:</b> All beneficiaries for HIRD housing loans are required to live in a rural area. Targeted beneficiaries are moderate to lower-income households, young families, single-headed households, and rural teachers and health workers. Women constitute 20–30% of beneficiaries.</p>	
<p><b>3. Impact channels:</b> HIRD-targeted beneficiaries will benefit from access to loans to purchase houses located on rural land plots with modern streets and reliable electricity, water, and sanitation. Improved or increased access to infrastructure and social services, including schools, health clinics, transport, and community and commercial services, will help the residents of new rural housing clusters as well as families in adjacent rural communities. HIRD's public information campaign and capacity building of local governments and PCBs will: (i) improve the target group's understanding of credit and creditworthiness, of the advantages and costs of long-term housing loans and housing investment, and of how to arrange funds for the down payment and monthly payments; (ii) strengthen outreach to targeted beneficiaries; and (iii) improve the overall responsiveness of local governments to the needs of the newly established communities. Analysis of household data and process and impact assessments will be undertaken to improve social messaging, HIRD capacity building, and the HIRD social prioritization processes.</p>	
<p><b>4. Other social and poverty issues:</b> HIRD provides access to reliable infrastructure services (gas, electricity, water, and sanitation) and retail and commercial space for new MSEs. Capacity building in local governments on results-based delivery contributes to improved local health and education services.</p>	
<p><b>5. Design features:</b> By providing access to affordable housing finance and modern new rural housing, the program plays an important role in improved rural living standards. The program will also contribute to poverty reduction by generating employment in the rural construction sector and ancillary industries, and by increasing opportunities for rural entrepreneurs who open commercial and retail services in the new rural communities.</p>	

## II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The HIRD consultation and participation (C&P) approach to ensure inclusiveness is defined in the facility administration manual (FAM). C&P objectives and priority activities focus on: (i) ensuring appropriate social messages, (ii) increasing outreach to targeted beneficiaries, (iii) improving inclusiveness in HIRD critical processes, (iv) understanding views and needs of representative rural communities and households, and (v) ensuring demand-driven capacity building.

2. Consultations with regional and district representatives of *mahallas* (citizen groups), women's committees, and *kamolot* (youth groups), as well as focus group discussions with new homebuyers, are an integral component of the HIRD public information campaign and HIRD capacity building activities, both of which are programmed for implementation in each region nationwide. The program responds to changing needs and preferences of the beneficiaries.

3. Civil society organizations. All HIRD consultations are organized in close collaboration with *hokimiyats* (regional and district local governments), and programmed to involve participation of representatives of regional/district *mahallas*, women's committees, and *kamolot* (youth committees).

4. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

**M** Information gathering and sharing **M** Consultation **L** Collaboration **L** Partnership

5. Participation plan. A project-level participation plan will not be prepared to strengthen participation of civil society, as there are extensive systems already in place for consultation under this program.

☐ Yes. ☒ No. As described in the FAM, extensive consultations with civil society will continue to take place.

### III. GENDER AND DEVELOPMENT

**Gender mainstreaming category:** effective gender mainstreaming

**A. Key issues.** Legally, men and women have equal access and equal entitlement to property rights to housing and land. Traditionally, however, title is issued in the name of the registered borrower which, in most cases, is a man. Without property and collateral, this makes it more difficult for women to obtain access to credit and financing for housing or to establish or expand a home-based or MSE business. Women comprise 46% (2013) of those employed and tend to be employed in lower-paid sectors, such as health (78% women) and education (70% women). Women's wages are estimated to be 37% lower than men's. Overall, women make up more than 44% of the unemployed among the economically active population, and the average duration of unemployment (at more than a year) is higher for women than for men. For many women in rural areas, access to finance is constrained by gender stereotypes, limited financial literacy, and lack of a practical understanding of credit or creditworthiness.

**B. Key actions.**    ☒ Gender action plan    ☐ Other actions or measures    ☐ No action or measure

The HIRD Tranche 3 Gender Action Plan (GAP) is structured to ensure that each of the three HIRD components and outputs has an integral gender focus. Key measures include: (i) assessing regional differences in percentages of women applicants and developing recommendations for reducing regional disparities; (ii) registration of houses in the names of both spouses, starting in 2016; and (iii) incorporating gender issues in curriculum for integrated rural development planning and investment promotion for towns. Monitoring and reporting on the GAP will continue to be undertaken as an integral part of program monitoring and reporting.

Under HIRD Tranches 1 and 2 (2012–2014), women constituted 24% of all homebuyer applications and 21% of approved applicants. Among approved women applicants, 8% are single (typically widowed or divorced) and 33% have jobs in the education and health sectors, indicating that teacher associations and health professional associations can be used as channels of the HIRD public awareness campaign to provide outreach to rural women. The age distribution of approved women applicants was: less than 30: 16%; 30–39: 34%; 40–49: 35%; and 50 or above: 15%. For Tranche 3, the target for women applicants and women homebuyers is 30%.

#### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

### A. Involuntary Resettlement

**Safeguard Category:** ☐ A ☐ B ☒ C ☒ FI

1. **Key impacts.** None. Only housing sites (including sites for related infrastructure) not involving adverse effects on any third party and/or informal land users will be included in the program. All houses will be on sites that have been approved for residential use and classified and registered as state reserved land for at least two years.

**2. Strategy to address the impacts.** An Environment and Social Management System (ESMS) has been adopted by each PCB to ensure that all loans made using project funds will not have any adverse environmental, involuntary resettlement, or indigenous peoples impact. Each ESMS encompasses: (i) management policy and requirements; (ii) management procedures including site selection, approval, monitoring, reporting and disclosure, and grievance redress; and (iii) organizational responsibilities, resources, and capacity building. The program implementation unit (PIU) will also undertake due diligence on all HIRD sites, validated by an ADB safeguards specialist.

### 3. Plan or other Actions.

☐ Resettlement plan  
☐ Resettlement framework  
☒ Environmental and social management system arrangement  
☐ No action

- ☐ Combined resettlement and indigenous peoples plan
- ☐ Combined resettlement framework and indigenous peoples planning framework
- ☐ Social impact matrix

<b>B. Indigenous Peoples</b> <b>1. Key impacts.</b> None. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>2. Strategy to address the impacts.</b> N/A <b>3. Plan or other actions.</b> <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action	<b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input checked="" type="checkbox"/> FI <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
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<b>V. ADDRESSING OTHER SOCIAL RISKS</b>
<b>A. Risks in the Labor Market</b> <b>1. Relevance of the project for the country's or region's or sector's labor market.</b> While the latest national official unemployment rates are 4.7% for women and 5% for men (2014), the unemployment rate in rural areas is more than twice that of urban areas. Underemployment is estimated at 20%, and about 250,000 young people graduate from high school each year and enter the workforce. The jobs created by HIRD both directly and indirectly help to reduce underemployment, provide entry-level jobs, create options for home-based businesses, and improve SME job-creating options. <input checked="" type="checkbox"/> unemployment (H) <input checked="" type="checkbox"/> underemployment (L) <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (M) <b>2. Labor market impact.</b> Up to 50,000 workers will be hired annually by small and medium-sized local contractors who hire local workers. Additional jobs will be created by local authorities installing related infrastructure such as roads and utilities, and by the private sector, which will build associated commercial service facilities. Local labor regulations prohibit the use of child labor and forced labor. Construction contracts, which are provided on the project's website, specifically mention the law. QQI as construction supervisor and local government inspectors are required to confirm adherence to labor laws on project sites. An associated TA will provide additional training and assessments of QQI oversight. <b>B. Affordability.</b> Affordability of housing finance under the program has been assessed in terms of: (i) the down payment for the house, and (ii) the monthly mortgage payment. Many rural households have extensive non-wage receipts and receive remittances from family members working abroad. These sources, combined with the cultural tradition of multigenerational families providing collective financial support to family members, help enable deposits to be within the reach of targeted beneficiaries. For 2015–2016, the government enlarged the grace period on principal repayments from 12 months to 3 years; this is also expected to reduce repayment difficulties for young families in the first three years of the mortgage term. With significant general wage increases that in large part adjust for inflation, fixed monthly mortgage payments become more affordable each year. In Uzbekistan, the average annual increase in the formal minimum monthly wage rate was around 35% from 2005 to 2010 and about 25% from 2011 to 2014. While monthly mortgage payments during the early years of the 15-year term may challenge young families or lower income households, strong family traditions will commonly be relied upon to access collective financial support. The social prioritization process of HIRD Tranches 1 and 2 is achieving impact. In 2009, prior to the start of ADB's participation, less than 1% of homebuyers were classified as moderate- to lower-income. With ADB support under HIRD Tranches 1 and 2, 89% of beneficiaries in 2012–2014 are considered moderate- to lower-income. In addition, rural employers are increasingly offering deposit support for senior or longstanding employees to purchase HIRD new houses.
<b>C. Communicable Diseases and Other Social Risks</b> 1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> NA Communicable diseases <input type="checkbox"/> NA Human trafficking <input type="checkbox"/> Others (please specify) _____ 2. Risks to people in project area. <b>NA</b>

<b>VI. MONITORING AND EVALUATION</b>
<b>1. Targets and indicators:</b> Household information is collected on gender, age, marital status, family structure, income, occupation, and living standards for each applicant of a new house. For HIRD 2012, HIRD 2013, and HIRD 2014, 115,460 applications have been processed, with social scoring of all applicants, and the social impact of the social prioritization process has been assessed. Findings are used to improve social messaging and outreach of the HIRD public information campaign, as well as the social prioritization process. <b>2. Required human resources:</b> Social indicators on homebuyer applicants are collected as part of the HIRD application process administered by the PCBs. The PIU has responsibility for HIRD results-based monitoring and performance reporting. In Tranche 2, the PIU was expanded to ensure that it had sufficient staff with the required skills. Further expansion of PIU is planned during Tranche 3 implementation to provide additional skilled staff to improve monitoring and supervision of civil works and strengthen overall program implementation. <b>3. Information in the facility administration manual (FAM):</b> Gender-disaggregated data is collected, maintained, and managed in databases by the PIU, PCBs, and government agencies administering training programs. <b>4. Monitoring tools:</b> Per the FAM, HIRD results-based monitoring frameworks are established by the PIU and maintained and reported for the program's: (i) public information campaign, (ii) site selection and safeguard due diligence process, (iii) beneficiary social prioritization process, (iv) contract tendering and selection process, (v) capacity building activities, and (vi) other program activities as required. Performance assessments on social indicators, each of the HIRD critical processes, and the design and monitoring framework will be prepared by the PIU as part of the HIRD annual performance reports.

## RISK ASSESSMENT AND RISK MANAGEMENT PLAN

Risk Description	Assessment without Mitigation	Mitigation Measures or Risk Management Plan	Assessment with Mitigation
Adverse selection of Housing for Integrated Rural Development (HIRD) homebuyers	Medium	A social assessment of home buyer applications forwarded by the participating commercial banks (PCBs) has been conducted based upon a predefined scoring framework. Only eligible (socially prioritized) applications have been evaluated for creditworthiness by PCBs.	Low
Construction quality of HIRD houses and sufficiency of grievance redress	High	<p>During construction and also prior to handover, houses are subject to inspections by various agencies to ensure compliance with design standards, contract terms, and national building and construction standards. Home purchase agreements include provisions on home buyer rights and: (i) a one-year warranty; (ii) right of inspection and signoff prior to each of the payments to contractors; (iii) right to participate in the handover inspection process; and (iv) right to file claims for substandard work against 5% of total house cost withheld for one year to address claims made prior to final payment to the contractor. Legal recourse is available for amounts over 5%.</p> <p>The public information campaign has included a focus on consumer rights and the grievance redress process which provides the home buyer up to one year for problems to be resolved.</p> <p>A post-construction quality audit of houses will be undertaken as part of the annual technical and financial performance audit (TFPA) as well as through an ADB TA especially designed for this purpose (ADB. 2015. <i>Technical Assistance to Uzbekistan for Enhancing Efficiency in Rural Infrastructure</i>. Manila.<sup>1</sup>)</p>	Medium
Affordability of HIRD new houses by home buyers	High	To reduce costs and ensure quality, the number of centrally procured building materials has been increased from 12 to 20. Bidding procedures have been improved to ensure that the lowest-cost bidder is awarded the contract. The PCBs will carefully assess the creditworthiness of home buyers. The extension of the grace period on principal payments from 12 months to 3 years will also facilitate loan repayment by the home buyers.	High
Tendering of construction contracts	High	ADB has provided training to staff of the Tender Consulting Center, tender evaluation committee	Medium

<sup>1</sup> TFPA 2012 and TFPA 2013, completed during 2015, have found the quality of construction of HIRD houses for 2012 and 2013 to be generally satisfactory, with construction adhering to design standards.

Risk Description	Assessment without Mitigation	Mitigation Measures or Risk Management Plan	Assessment with Mitigation
is not conducted properly, thereby requiring rebidding and delaying contract awards, and/or misprocurements		members, and contractors. A procurement manual and standard bid documents (invitation for bid, master bidding document) have been prepared and approved by ADB and adopted nationwide. ADB-approved templates for bid proposals, bill of quantities, and bid evaluation reports are being utilized. ADB will conduct prior review of 67 contracts (27 NCBs), while 20% of the remaining 70% of the contracts will be post reviewed. Initial results of procurement reforms undertaken for Project 3 are positive.	
Contracts are not properly prepared and do not include all required documents	High	Training has been provided to QQI staff involved in the contracting process. QQI has adopted and is implementing an action plan to institute improvements in its processes and procedures, including those involving contract management. On 22 April 2015, the Cabinet of Ministers issued an order regarding the proper issuance of performance guarantees by banks. ADB will conduct a post review of selected contracts. ADB TA will also support QQI to improve its contracting processes.	High
Financial management assessment and financial due diligence finds risks in the PCBs' corporate governance and risk management systems	High	Corporate governance and risk management systems are driven by the significant state ownership in the two banks. The government is willing to provide financial support if required.  The PCBs are willing to recruit more qualified accounting staff, including those who have a better understanding of international financial reporting standards issues, and to increase training to keep staff skills up-to date. Each PCB is also in compliance with the financial reporting requirements of the Central Bank of Uzbekistan.	Medium
Access to infrastructure not provided or completed	Medium	The related infrastructure is detailed in the HIRD investment plan, and the loan agreement contains covenants to ensure that the resources required to provide this infrastructure are allocated in the annual budget and provided in a timely manner.  Site readiness for construction and site completion for handover to new homebuyers, in terms of access to infrastructure and social and commercial services, will be checked and confirmed by mandated technical agencies, with oversight by the MOE PIU.	Medium
Home buyers unable to repay mortgage loans on a timely	High	The grace period on principal payments has been extended from 12 months to 3 years. PCBs will consider adjusting repayment schedules when appropriate.	Medium

<b>Risk Description</b>	<b>Assessment without Mitigation</b>	<b>Mitigation Measures or Risk Management Plan</b>	<b>Assessment with Mitigation</b>
basis			
Impaired financial condition of PCBs due to higher credit risk of targeted subborrowers	Medium	PCBs have capital in excess of the regulatory minimum. Qishloq Qurilish Bank (QQB) has created and is implementing a time-bound action plan to improve collections.	Medium
Mortgage loans become uncollectible and PCBs are unable to recover losses by selling collateral (houses)	Medium	QQB has adopted a time-bound action plan to speed up the registration of mortgages. The implementation of the action plan will be followed up rigorously during the implementation of Project 3.	Medium
Satisfactory audited project financial statements are not submitted on a timely basis	High	A well-defined terms of reference has been developed. Extensive dialogue has been conducted with PCBs and their external auditing firm to help ensure that previous delays will not be repeated.	Medium
<b>Overall</b>	<b>High</b>		<b>Medium</b>

ADB = Asian Development Bank, HIRD = Housing for Integrated Rural Development, MOE = Ministry of Economy, PCB = participating commercial bank, PIU = program implementation unit, QQB = Qishloq Qurilish Bank, QQI = Qishloq Qurilish Invest.

## ECONOMIC ASSESSMENT

### A. Macroeconomic Context

1. Uzbekistan's macroeconomic fundamentals have helped the economy maintain high rates of growth, and demonstrated resilience during the global financial crisis. Gross domestic product (GDP) growth has averaged 8.2% since 2009,<sup>1</sup> per capita income almost doubled between 2008 and 2013,<sup>2</sup> and absolute poverty has been almost halved from 27% of households in 2000 to about 15% in 2012.<sup>3</sup> However, rural development has not kept pace with urban development, as 60% of the poor live in rural areas. While declining, the rural poverty rate of 20.1% remains much higher than the urban poverty rate of 13.4%.<sup>4</sup>

2. **Economic growth.** Uzbekistan's economy grew by 8.1% in 2014—essentially unchanged from 2011–2013, driven by strong performance in all production sectors, continuing public investment, high remittances, and public sector wage increases, which boosted private consumption.<sup>5</sup> Economic growth is forecast at 7.0% in 2015 and 7.2% in 2016.<sup>6</sup> In 2014 economic growth was driven mainly by services, which grew by 15.4%, and industry excluding construction, which grew by 8.3%. The government reported foreign direct investment of \$3.0 billion, mainly in oil and gas, petrochemicals, and automobile manufacturing.

3. **External sector.** Total exports declined by 2.0% in 2014, reflecting declining earnings from energy exports in line with retreating global oil prices.<sup>7</sup> Lower exports, combined with lower remittances from the Russian Federation, narrowed the current account surplus from 1.6% of GDP in 2013 to 1.2% in 2014.<sup>8</sup> Imports of goods and services increased by 1.1% in 2014, driven mainly by imports of consumer goods and chemicals.<sup>9</sup> Despite declining by about 10% from 2013, machinery and equipment remained the largest import items. Remittances declined by an estimated 10%, to about \$5.6 billion, or around 9.1% of GDP.<sup>10</sup>

4. **Wages and prices.** As reported by the government inflation slowed to 6.1% in 2014, primarily because food prices fell in line with global trends. Using a different methodology, the International Monetary Fund calculated inflation at 8.4%. Inflation rates of 9.5% in 2015 and 10.0% in 2016 are projected.<sup>11</sup> In 2014, the sum depreciated against the US dollar by 10% at the official rate and by 20% at the unofficial curb rate. Commercial bank lending raised credit to the economy by 31.2%.<sup>12</sup>

5. **Fiscal management.**<sup>13</sup> The government reported a budget surplus of 0.2% of GDP in 2014. The consolidated budget balance, including large surpluses from the Fund for

<sup>1</sup> ADB. 2015. *Asian Development Outlook 2015*. Manila, p. 10 (Table 1.1.1).

<sup>2</sup> World Bank. 2015. *World Development Indicators*. Washington (GNI per capita, Atlas method [current US dollars]).

<sup>3</sup> E. Trushin and F. Carneiro. 2013. Changing for the Better: The Path to Upper-Middle-Income Status in Uzbekistan. *Economic Premise*. No. 119. Washington DC: World Bank.

<sup>4</sup> As reported for 2010 in Institute of Forecasting and Macroeconomic Research, Government of Uzbekistan. 2012. *Overview of the Economic and Social Policy in Uzbekistan during the Period of the Implementation of the Welfare Improvement Strategy for 2007–2010*. Tashkent.

<sup>5</sup> Footnote 1, p. 135.

<sup>6</sup> Footnote 1, p. 137.

<sup>7</sup> Footnote 1, p. 136.

<sup>8</sup> Footnote 1, p. 136.

<sup>9</sup> Footnote 1, p. 136.

<sup>10</sup> Footnote 1, p. 136.

<sup>11</sup> Footnote 1, p. 135.

<sup>12</sup> Footnote 1, p. 135.

<sup>13</sup> Footnote 1, pp. 136–137.

Reconstruction and Development, was 2.4% of GDP, down from 2.7% of GDP in 2013. Budget revenues are estimated to have slipped from 36.2% of GDP in 2013 to 36.1% of GDP in 2014, in line with declining international prices for key export commodities. Higher government spending—notably for wages, pensions, health care, and education—raised budget expenditures from 33.5% of GDP in 2013 to 33.7% of GDP in 2014. For 2015 12.8% of government spending will be on overall social programs, of which 7.3% will be for education and 3.1% for health. Total government debt edged up from 8.5% of GDP in 2013 to 8.7% of GDP in 2014 as foreign borrowing for infrastructure increased. Public debt is expected to remain sustainable and able to withstand external shocks. Gross official reserves are estimated at \$23.9 billion, equivalent to two years of merchandise imports.

6. **Monetary policy.** Uzbekistan conducts monetary policy in line with inflationary targets, supports loans to the real sector, monitors financial stability, and manages the banking system in part to maximize the circulation of money in banks. To regulate the liquidity of Uzbekistan's banking system and manage the money supply, the Central Bank of Uzbekistan (CBU) has actively used a variety of instruments. To attract free funds into long-term deposits and expand banks' long-term investment base in both national and foreign currencies, the CBU established differentiated reserve requirements for commercial banks in September 2009: 15.0% for current deposits for up to 1 year, 12.0% for deposits with a term of 1–3 years, and 10.5% for deposits with a term exceeding 3 years.<sup>14</sup> Since 2003 the CBU refinancing rate has been steadily decreasing, with the most recent reduction being from 10.0% to 9.0% effective 1 January 2015.<sup>15</sup>

## B. Fiscal Sustainability

7. The government's fiscal position is stable given the current and forecasted budget surpluses over the next few years. State financing of the Housing for Integrated Rural Development (HIRD) program is estimated at about 0.7% of GDP annually.<sup>16</sup> The government will assume the foreign exchange risk associated with borrowing US dollars and onlending in local currency to commercial banks to finance the HIRD housing loans. Assuming Uzbekistan borrows the full amount of the multitranche financing facility (\$500 million) for 15 years and that the sum depreciates in nominal terms against the US dollar by 10.5% annually,<sup>17</sup> the foreign exchange cover is estimated at \$33 million annually.<sup>18</sup> The annual foreign exchange risk cover is about 27% of the 2015 government budget surplus and, given accumulated budget surpluses over recent years, is fiscally sustainable.

## C. Demand and Affordability

8. **Housing prices.** In Uzbekistan 98% of families own their own home.<sup>19</sup> Apartment dwellings predominate in urban areas and houses in rural areas. Housing prices vary between urban and rural areas and from region to region. Urban property prices have fluctuated, with prices higher in Tashkent City (between \$500 and \$2,000 per square meter in the secondary

<sup>14</sup> [http://cbu.uz/eng/section/monet\\_policy/reserve1](http://cbu.uz/eng/section/monet_policy/reserve1).

<sup>15</sup> [http://cbu.uz/eng/section/monet\\_policy/refinancingrate](http://cbu.uz/eng/section/monet_policy/refinancingrate).

<sup>16</sup> Asian Development Bank staff calculations.

<sup>17</sup> Average currency depreciation in 2011–2014.

<sup>18</sup> For each year following the grace period, assuming that onlending terms (i.e., tenor and grace period) from the government to participating commercial banks parallel the terms of the loans provided under the multitranche financing facility.

<sup>19</sup> Republic of Uzbekistan. 2007. *Welfare Improvement Strategy of Uzbekistan: Full Strategy Paper for 2008–2010*. Tashkent, sec. 3.1.1.

market<sup>20</sup>) than elsewhere. Under HIRD, the average cost of a new rural house is about \$480 per square meter.<sup>21</sup> Contract prices of new HIRD houses are cost-based, reflect a number of subsidies and concessions offered to construction material suppliers and contractors, and are subject to the final bid price of the winning contractor.

9. **Access to affordable housing finance.** In 2014 the total housing finance market amounted to around 2.8% of GDP,<sup>22</sup> with approximately one-fourth of the mortgages financed through HIRD (Table 1).

**Table 1: Residential Housing Loans in Uzbekistan**  
(SUM billion)

Name of Bank	2012	2013	2014
Qishloq Qurilish Bank	1,030	1,685	2,356
National Bank of Uzbekistan	71	166	403
Ipoteka Bank	128	211	348
Halk Bank	176	191	223
Asaka Bank	140	159	203
Uzpromstroybank	49	59	113
Agrobank	19	25	67
Mikrokreditbank	12	15	15
<i>Other banks</i>	<i>121</i>	<i>167</i>	<i>217</i>
<b>Total</b>	<b>1,747</b>	<b>2,680</b>	<b>3,946</b>

HIRD = Housing for Integrated Rural Development.

Note: In 2014, HIRD-financed mortgages totaled SUM1,057 billion.

Source: Central Bank of Uzbekistan.

10. Prior to HIRD, new housing construction and major home renovations in rural areas were financed from personal savings or informal loans. Affordable rural housing finance was rarely available, particularly for women, who are typically employed in lower-paid sectors. Housing finance was mainly available for middle- and higher-income borrowers for urban housing in Tashkent and other major cities.<sup>23</sup> Other than through government programs, banks are reluctant to enter the housing finance market because of limited access to long-term funds. As a result, access to formal rural housing finance remains primarily through HIRD.

11. **Demand for rural housing by targeted beneficiaries.** Demand for new housing by moderate- to lower-income households in rural areas is expected to grow due to demographic issues. Prior to the inception of HIRD, only 60,000 new houses were constructed annually nationwide, insufficient to keep up with population growth (1.5% per year) and the needs of the 200,000 young families ready to leave the parental home each year. Most rural houses were built during the Soviet period and are occupied by extended multigenerational families. Basic utilities are inconsistent and unreliable. For HIRD 2014, almost 55,000 applications were processed for the 11,000 new rural houses to be built under the program.

<sup>20</sup> [http://www.numbeo.com/property-investment/city\\_result.jsp?country=Uzbekistan&city=Tashkent](http://www.numbeo.com/property-investment/city_result.jsp?country=Uzbekistan&city=Tashkent) (accessed 24 May 2015).

<sup>21</sup> In 2014, the average cost of a house was \$68,951. Three- (134m<sup>2</sup>), four- (143.2m<sup>2</sup>), and five-room (181.75m<sup>2</sup>) designs were available. (\$68,951 divided by the four-room home size of 143.2m<sup>2</sup> equals \$481.50/m<sup>2</sup>.)

<sup>22</sup> GDP is estimated at \$62.619 billion. International Monetary Fund. 2015. World Economic Outlook Database. Washington. April. Housing finance is converted into dollars at a rate of 2,314.85 (annual average exchange rate for 2014).

<sup>23</sup> Commercial mortgage lending for housing in urban areas is offered at 12%–25% per annum with a tenor of 5–10 years.

12. The HIRD social prioritization process implemented beginning in 2012 is achieving results. One hundred percent of beneficiaries in the 2014 year of HIRD are moderate- to lower-income.<sup>24</sup> In addition, some rural employers are offering deposit support for senior or longstanding employees to purchase HIRD new houses.

13. **Affordability of housing finance by targeted beneficiaries.** Affordability of housing finance under the program has been assessed in terms of: (i) the down payment for the house (an average of around 40% of the house price), and (ii) the monthly mortgage payment. Rural households have extensive non-wage receipts, including social transfers, the proceeds of sales of agricultural products from household plots, and income from entrepreneurial activity and remittances. Non-wage sources have been estimated to constitute almost two-thirds of total income.<sup>25</sup> These sources, combined with the cultural tradition of multigenerational Uzbek families providing collective financial support to close family members, help targeted beneficiaries meet down payment requirements. While monthly mortgage payments during the first year or two of the 15-year term may challenge young families or lower income households, strong family traditions will commonly be relied upon to provide collective financial support.

14. **Household income.** The program targets moderate- to lower-income applicants, young families and first-time homeowners, teachers, health care workers (two occupations in which women predominate), and other skilled professionals. In 2014, targeted beneficiaries had formal annual incomes ranging from \$3,189 to \$8,709 (Table 2).<sup>26</sup> However, taking into account informal income (see footnote 25), it is estimated that targeted beneficiary households have average annual incomes ranging from \$10,630 to \$29,030.<sup>27</sup>

**Table 2: Annual Formal Income by Income Quartile**

Income Quartile	2012				2013				2014			
	SUM '000		\$		SUM '000		\$		SUM '000		\$	
	From	To	From	To	From	To	From	To	From	To	From	To
1	0	5,311	0	2,809	0	6,347	0	3,029	0	7,383	0	3,189
2	5,311	9,253	2,809	4,895	6,347	11,058	3,029	5,278	7,383	12,863	3,189	5,557
3	9,253	14,501	4,895	7,671	11,058	17,330	5,278	8,271	12,863	20,159	5,557	8,709
4	14,501	25,651	7,671	13,568	17,330	28,362	8,271	13,537	20,159	31,234	8,709	13,493

Source: Ministry of Economy (based on survey of 7,000 households).

15. **Deposit affordability.** In 2014, the average down payment was around SUM63,000,000 (approximately \$27,000 at the average official exchange rate for the year). With access to non-wage receipts and savings of the household and relatives living in separate households,<sup>28</sup> the

<sup>24</sup> For 2014, moderate- to lower-income households are defined with monthly income of less than SUM1.5 million (\$648 at average official exchange rate for 2014).

<sup>25</sup> Center for Economic Research. 2005. *Family Assets Mobilization*. Tashkent, pp. 13, 17 (wages represent only 33.7% of income among households surveyed as part of the State Statistics Committee's 2002 Household Budget Survey; the share among 720 households surveyed in Andijan, Khorezm, and Samarkand oblasts in 2003 was even lower—13.8%). State Statistics Committee data from 2006 indicates that only 30% of per capita aggregate income accrues from formal wages, with the remaining 70% coming from other sources. Footnote 15, Table 3.6. This is further supported by a survey done in the Andijan region that estimates that around 70% of household income is from non-wage sources.

<sup>26</sup> From 2010 to 2014, the minimum monthly wage increased by 138%, from SUM49,735 to SUM118,400. See footnote 31.

<sup>27</sup> Total income estimate is based on assumptions that formal income being 30%, and informal income being 70%. See footnote 25 above.

<sup>28</sup> In 2007, the government estimated the value of household assets to be about \$14,500 per household, an increase from \$6,400 per household in 2003. Footnote 15, sec. 3.1.1. In 2014, remittances from Russia alone totaled \$5.58 billion (\$186 per capita). Source: Central Bank of Russia.

down payment has been within the reach of many targeted beneficiaries. Savings is not usually kept in bank accounts, but is held in the form of cash, jewellery, houses, flats, and dachas bought as investments (rather than for living purposes), agricultural produce (especially wheat and rice, which can be “cashed in” at local markets when necessary), poultry, and livestock.<sup>29</sup> Livestock is the most widespread form of savings in rural areas; one study found that 78% of rural households in Andijan, Khorezm, and Samarkand oblasts owned livestock.<sup>30</sup>

16. **Mortgage payment affordability.** In accordance with international norms, 20%–35% of post-tax income is generally used as an affordability benchmark for mortgage repayments. Assuming that household incomes increase annually by 15%<sup>31</sup> and that the cost of an HIRD 2015 house is SUM180,000,000, households with incomes higher than the midpoint of the second quartile will be able to afford the initial, interest-only monthly payment (2015–2017) and will continue to be able to afford the monthly payment after principal amortization begins in the fourth year (2018) (Table 3).

**Table 3: Projections of Monthly Household Incomes and Mortgage Payments**

Income Percentile	2015			2016		
	Monthly Post-Tax Household Income (SUM'000)	Monthly Mortgage Payment (SUM'000)	Mortgage Payment as % of Income	Monthly Post-Tax Household Income (SUM'000)	Monthly Mortgage Payment (SUM'000)	Mortgage Payment as % of Income
25	2,030	691	34.0	2,335	691	29.6
midpoint	2,784	691	24.8	3,202	691	21.6
50	3,537	691	19.5	4,068	691	17.0
midpoint	4,541	691	15.2	5,222	691	13.2
75	5,544	691	12.4	6,376	691	10.8

Income Percentile	2017			2018		
	Monthly Post-Tax Household Income (SUM'000)	Monthly Mortgage Payment (SUM'000)	Mortgage Payment as % of Income	Monthly Post-Tax Household Income (SUM'000)	Monthly Mortgage Payment (SUM'000)	Mortgage Payment as % of Income
25	2,685	691	25.7	3,087	1,513	49.0
midpoint	3,682	691	18.8	4,234	1,513	35.7
50	4,678	691	14.8	5,379	1,513	28.1
midpoint	6,005	691	11.5	6,906	1,513	21.9
75	7,332	691	9.4	8,432	1,513	17.9

Source: Asian Development Bank staff estimates.

<sup>29</sup> Center for Economic Research. 2005. *Family Assets Mobilization*. Tashkent, p. 18.

<sup>30</sup> Footnote 24, p. 24.

<sup>31</sup> For 2015, the government projected an increase in the minimum wage of no less than 20–25% and an increase in the real average salary of no less than 11%. Republic of Uzbekistan. 2013. *Welfare Improvement Strategy for the Republic of Uzbekistan for 2013–2015*. Tashkent, Annex 2, Indicators 9.2 and 9.2.1.

#### D. Economic Benefits, Viability and Impact<sup>32</sup>

17. **Economic viability and impact.** Based on an input-output model of the Uzbekistan economy (2011), the investment program is assessed to have positive economic impacts which provide a constructive indication of the program's economic viability. The highly macro nature of the analysis and assumptions describe the order of magnitude of the economy-wide benefits rather than specific expected outcomes. An input-output model was used instead of calculating an economic internal rate of return (EIRR) due to: difficulties in quantifying economic benefits—primarily the imputed rental value as a proxy for “willingness to pay”; the nature of ADB's contribution as a financial intermediation loan adds another level of complexity to calculating economic benefits and costs due to the lack of information on individual borrowers; and EIRR may not be an appropriate model when considering the provision of shelter given that it is a basic human need.

18. **Economic benefits.** The economic benefits from the investment program include: (i) enhanced health, productivity, and quality of rural lives from better quality housing and infrastructure; (ii) rural economic growth from expanded access to housing finance; (iii) new construction-related jobs; (iv) incentives for skilled professionals and entrepreneurs to remain in rural areas due to better housing and ancillary services; and (v) improved infrastructure access for micro and small enterprises.

19. **Economic value added.** Investments in the housing sector are catalytic to other sectors of the economy and can contribute from 2% to 8% or more to national GDP.<sup>33</sup> Housing investment can generate pro-poor effects through its direct and indirect effects on the economy. The construction industry in Uzbekistan has been contributing significantly to GDP, with the sector growing by 18.3% in 2014.<sup>34</sup> Housing construction in particular has strong backward linkages to ancillary industries, such as cement suppliers and brick producers, and forward linkages to other industries. Based on a model developed by ADB's Economic Research and Regional Cooperation Department (ERCD), a single unit of investment in the construction sector in Uzbekistan can generate an additional 2.58 units of economic activity in its backward and forward activities. For the proposed project investment of \$1.75 billion, about \$4.52 billion in economic activities may be added to backward-linking and forward-linking sectors.

20. **Employment and job creation.** Investments in housing also generate growth through employment in construction, property and real estate, and other industries. Residential construction offers employment opportunities for unskilled and semi-skilled workers given the relative labor intensity and level of technological input.<sup>35</sup>

21. In 2010, ERCD provided a quantitative model to generate figures related to employment creation from investments in various sectors. The model forecasts that an investment of \$1.75 billion in Uzbekistan's construction sector can generate over 2.45 million full-time jobs across all sectors of the economy, of which over 950,000 will be created in the construction sector.

<sup>32</sup> With guidance from the Economic Research and Regional Cooperation Department, it was determined that calculating an economic internal rate of return would prove difficult from a methodological and data point of view. Hence an input-output analysis was used to determine an order of magnitude of the economic impacts and provide a constructive indication of the economic viability of the proposed project.

<sup>33</sup> R. Buckley and S. Mayo. 2007. *Housing Policy in Developing Economies: Evaluating the Macro-economic Impacts*. Review of Urban and Regional Development Studies. 1(2):27–47. <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-940X.1989.tb00011.x/abstract>

<sup>34</sup> State Statistics Committee. 2015. *Statistical Review of the Republic of Uzbekistan*. Tashkent, p. 89.

<sup>35</sup> R. Karnad. 2008. *Channeling Financial Flows for Adequate and Affordable Housing*, Housing Development Finance Corporation. Presentation given to the International Federation of Surveyors Working Week. Stockholm. 17 June.

## FINANCIAL ASSESSMENT

### A. Banking Sector Overview

1. The Central Bank of Uzbekistan supervises and regulates all financial institutions, including state-owned and private commercial banks, microcredit organizations, and pawnshops. The State Insurance Supervisory Board is the responsible entity for oversight and regulation of the insurance market. The Center for Coordination and Monitoring of the Security Market oversees the formation, development, control, and regulation of the securities market. The Ministry of Finance is responsible for the development, oversight, and regulation of the leasing market.

2. As of end-December 2014, Uzbekistan had 26 commercial banks with 846 branches, 24 microcredit organizations, 41 pawnshops, and 64 leasing companies. There is one stock exchange. Of the 26 commercial banks, 2 are fully state-owned, 11 are joint-stock banks in which the state has a varying proportion of shareholding, 8 are private banks, and 5 are banks with foreign capital.

3. The six largest banks—National Bank of Uzbekistan (NBU), Asaka Bank, Ipoteka Bank, Halk Bank, Agrobank, and Qishloq Qurilish Bank (QQB)—are all government-controlled. Collectively, the six banks account for around 60% of banking assets, loans, and deposits. More than three-quarters of all lending is done by banks with majority government ownership. State-owned banks are mandated by the government to increase lending to critical sectors.

4. The banking system has been growing rapidly in recent years (Table 1). Bank lending continues to expand at a rapid pace on the back of strong economic growth and government-sponsored programs and directed lending. State-owned banks are rapidly increasing their loan portfolios to meet government targets to finance strategic industries, small and medium enterprises, and individuals.

**Table 1: Key Indicators of the Banking Sector (2012–2014)**  
(SUM billion)

Year	Total Capital	Total Assets	Loan Portfolio	Loans to Small Businesses	Micro-credits <sup>1</sup>	Deposits
2012	5,200	33,700	20,400	5,300	1,200	20,100
2013	5,500	43,800	26,500	6,900	1,400	21,800
2014	6,900	56,200	34,800	9,200	1,900	28,500

<sup>1</sup> Micro credits are small loans to entrepreneurs or micro and small enterprises, usually up to a maximum of 500 times the minimum wage on soft lending terms with a maximum tenor of 24 months.

Source: Central Bank of Uzbekistan.

5. Four large state-owned banks—NBU, Mikrokreditbank, Agrobank, and Halk Bank—account for about 49% of all microloans as of year-end 2014. Mortgage lending has also been increasing rapidly (Table 2). The three banks that are part of the government's HIRD program—QQB, NBU, and Ipoteka Bank—account for most of the increase. However, the mortgage loan portfolios of other banks (not participating in HIRD) have also increased significantly, for example by 36% in 2014.

**Table 2: Mortgage Loans (2012–2014)**  
(SUM billion, percentages)

Bank	2012	% change	2013	% change	2014
Qishloq Qurilish Bank	1,030	64	1,685	40	2,356
National Bank of Uzbekistan	71	134	166	143	403
Ipoteka Bank	128	65	211	65	348
Halk Bank	176	9	191	17	223
Asaka Bank	140	14	159	28	203
Uzpromstroybank	49	20	59	92	113
Agrobank	19	32	25	168	67
Mikrokreditbank	12	25	15	0	15
<i>Other banks</i>	<i>121</i>	<i>38</i>	<i>167</i>	<i>30</i>	<i>217</i>
<b>Total</b>	<b>1,747</b>	<b>53</b>	<b>2,680</b>	<b>47</b>	<b>3,946</b>

Source: Central Bank of Uzbekistan.

## B. Participating Commercial Banks

6. Commercial banks participating in the HIRD MFF must have: (a) experience in mortgage lending, (b) a branch network that provides financial services to rural areas, (c) a risk-based asset capital adequacy ratio of at least 12%, (d) a return on average assets ratio (ROAA) for each of the last two completed fiscal years of at least 0.5%, (e) a ratio of non-performing loans (NPLs) in the “loss” category as defined by the Central Bank of Uzbekistan of less than 5%, (f) corporate, financial, and governance practices acceptable to ADB, (g) adequate credit and risk management policies, operating systems, and procedures, and (h) a satisfactory integrity due diligence assessment by ADB. As shown in Table 3, two banks nominated by the government to participate in Tranche 3—QQB and NBU—are determined eligible to participate. The two banks have met all financial and integrity due diligence requirements.

**Table 3: Summary of Compliance with HIRD Eligibility Criteria**

Requirement	NBU	QQB
Capital adequacy ratio of not less than 12% <sup>a</sup>	21.2%	19.8%
ROAA ratio of not less than 0.5% for each of the last two completed fiscal years (2013 ROAA in parentheses)	0.9% (1.0%)	0.8% (0.7%)
Nonperforming loans <sup>b</sup> less than 5% of total loan portfolio	0.3%	0.1%
Corporate, financial, and governance practices acceptable to ADB <sup>c</sup>	Yes	Yes
Adequate credit and risk management policies, operating systems, etc.	Yes	Yes <sup>d</sup>
Prior experience in mortgage lending	Yes	Yes
Branch network providing financial services to rural areas	Yes	Yes
Full compliance with all prudential requirements and ratios of the CBU	Yes	Yes
Satisfactory results on ADB integrity due diligence	Yes	Yes

ADB = Asian Development Bank, CBU = Central Bank of Uzbekistan, HIRD = Housing for Integrated Rural Development, NBU = National Bank of Uzbekistan, QQB = Qishloq Qurilish Bank, ROAA = return on average assets.

<sup>a</sup> Calculated by dividing regulatory capital (not Tier 1 capital) by risk weighted assets, per the loan agreement.

<sup>b</sup> Defined in the loan and project agreements as loans in the “loss” category as defined by the CBU. This definition of nonperforming loans differs from the definitions currently utilized by the two banks (footnotes 2 and 4).

<sup>c</sup> A financial management assessment was carried out on each bank.

<sup>d</sup> QQB is implementing an action plan to improve its collection of nonperforming loans and reduce its level of unsecured loans.

Note: Financial data for year ended 31 December 2014.

Source: Asian Development Bank.

7. Although both banks meet the requirements to participate in Tranche 3, a number of areas need improving to ensure the program remains viable and sustainable and that each of the banks gets stronger. The areas for improvement include corporate governance and risk management systems; recruitment of more professionally qualified accounting staff and increases in the training for accounting staff; and improvements in the quality of QQB's assets, including reducing non-performing loans and speeding up the registration of mortgage collateral. Both QQB and NBU are committed to improving their performance as banks and to ensuring that HIRD meets its objectives. The corporate governance of both banks reflects their significant government ownership. Both banks recognize that more qualified accounting staff are required and are actively recruiting such staff. However, this weakness in each bank is reflected across the whole sector, and thus each bank is willing to invest more in training their accounting staff. QQB has agreed to a time-bound action plan to improve two specific issues: their high levels of non-performing HIRD loans, and gaps in collateralization of their HIRD loans. In addition to this, ADB will work with each PCB to develop an action plan to help overcome some of the weaknesses in financial management. Technical assistance will also be mobilized to support these action plans.<sup>1</sup> ADB will monitor these action plans over the life of this program. Both banks are well-capitalized and so have a significant cushion against loan losses if they do eventuate, and both banks have access to additional equity funds if required, given their significant state ownership.

**Table 4: Key Data for Participating Commercial Banks**

Item	NBU	QQB
Total assets (\$ million)	5,297	1,404
Total equity (\$ million)	456	140
Net interest margin	1.6%	4.7%
Loan to deposit ratio	148%	336%
Cost to income ratio	60.3%	82.4%
Return on average equity	10.8%	6.7%
Moody's Long-Term Bank Deposit Rating (Foreign Currency)	B2	B2
Moody's Long-Term Bank Deposit Rating (Local Currency)	B1	B2
Rating Outlook	Stable	Stable
No. of branches	92	42
No. of banking outlets	540	190

HIRD = Housing for Integrated Rural Development, NBU = National Bank of Uzbekistan, QQB = Qishloq Qurilish Bank.

Sources: Asian Development Bank calculations based on 2014 audited financial statements; Moody's Investors Service rating reports (May 2015).

8. NBU is Uzbekistan's largest bank, accounting for about one-quarter of banking system assets. It has broad countrywide coverage and a network that provides a diversified range of services. NBU has functioned as the state's primary bank since it was established in 1991. Its mandate is to serve the foreign trade operations of domestic companies, enhance the export potential of the country, advance the economy, and attract foreign investment. The Cabinet of Ministers of the Republic of Uzbekistan is the sole shareholder of NBU.

9. NBU is a universal bank that has long focused on corporate and infrastructure projects. NBU benefits considerably from government ownership and related entities' funding, borrowing, and fee-based business. However, it also conducts some of its operations on a commercial basis and has multiple income sources that include non-lending activities. This includes

<sup>1</sup> ADB. 2015. *Technical Assistance to Uzbekistan for Enhancing Efficiency in Rural Infrastructure*. Manila

international settlements, trade finance activities, and some swap and foreign exchange activity. Non-interest income constitutes 44% of gross income.

10. NBU's loan portfolio has increased at an average rate of 26% per year over the past 3 years. Like other state-owned banks, it shows high levels of concentration in its loan portfolio and funding sources. The bank's top 20 borrowers account for more than 70% of the total loan portfolio and more than 400% of Tier 1 capital. Sixteen of the largest 20 borrowers are state-owned, accounting for more than 68% of its loan portfolio, with the largest borrower responsible for 11%. More than half of the loan portfolio is secured by government guarantees. The largest 2 sectors are production (40%) and transport and communication (36%). As of year-end 2014, mortgage loans account for 4.9% (\$168 million equivalent) of its total loan portfolio, up from less than 2% at the end of 2012. 73% of loans are denominated in foreign currency and more than four-fifths of them are issued at fixed rates. The bank's loan to deposit ratio remains high at 148%, albeit down from 168% at the end of 2012. Non-performing loans (NPLs)<sup>2</sup> account for only 0.6% of NBU's gross loan portfolio as of 31 December 2014, down substantially from 3.4% at the end of 2013.

11. The bank is heavily reliant on a few depositors, with 10 customers accounting for almost 41% of customer deposits. Excluding banks, 27% of deposits come from state and budgetary organizations, and 18% from individuals. Although deposits increased by 26% in 2014, retail deposits grew at a slower rate of 23%. The ratio of deposits to total funding has been increasing over the past 3 years, from 41% in 2012 to 45% in 2013 and 48% in 2014. Thirty-five percent of deposits are in local currency. Around one-quarter of NBU's total funding is obtained from the Fund for Reconstruction and Development of the Republic of Uzbekistan as long-term financing for the transportation and energy sectors. The bank's net interest margin is low (1.6%), which contributes to its moderate profitability (ROAA ratio of 0.9%; return on average equity ratio of 10.8%).

12. NBU's accounting and audit policies are acceptable. However, the bank needs more professionally qualified accounting staff; the bank is working to improve its recruitment and to increase training for accounting staff. The bank produces annual financial statements according to International Financial Reporting Standards (IFRS). Annual audits are conducted according to International Standards on Auditing (ISA) (currently, by Deloitte & Touche). In March 2015, it received from Moody's a Local Currency rating of B1 and a Foreign Currency rating of B2, with a stable outlook.

13. CBU has confirmed that NBU meets CBU mandatory prudential standards as well as conforms to anti-money-laundering and combating the financing of terrorism laws and regulations in Uzbekistan, including applicable CBU regulations.<sup>3</sup>

14. QQB is Uzbekistan's sixth largest bank by assets and is the country's largest mortgage lender with a market share of 60% (almost 6 times the market share of the second largest mortgage lender, NBU). It has 42 branches and more than 200 outlets (including minibanks, exchange offices, and international money transfer points). The government owns 88% of the

<sup>2</sup> The bank defines NPLs as loans overdue for more than three months, or when it is more likely than not that they will not be recovered even after sale of collateral or utilization of other credit enhancements.

<sup>3</sup> The Law of the Republic of Uzbekistan of 26 August 2004 on "Counteracting legalization of the proceeds from crime and financing of terrorism"; Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 27 of 10 October 2009 on "Improvement of the order of providing information related to counteracting legalization of the proceeds from crime and financing of terrorism"; Regulation No. 2023 of 23 October 2009 on "Commercial bank rules on internal control on counteracting legalization of the proceeds from crime and financing of terrorism."

bank's shares and state-owned companies own another 7%. The remaining shares are distributed among more than 6,200 shareholders. In order to fund its loan growth, the bank issued new shares to the Ministry of Finance in 2014.

15. Although QQB also has some credit exposure to other sectors (for example, trade and mining and metallurgy each account for 4% of its loan portfolio), QQB's main focus since 2009 has been housing finance under the government's Housing for Integrated Rural Development (HIRD) program. Currently, 79% of its loans are 15-year mortgage loans to individuals in rural areas. The government determines the tenor, interest rates (7% for at least the first 5 years), and grace periods on the HIRD loans. The bank receives long-term financing from the government which mitigates maturity mismatch risk. QQB has encountered problems in registering pledges of the houses in order to collateralize the loans; as of 31 December 2014, 71% of the loans remained uncollateralized. The bank has adopted a time-bound action plan to address this problem.

16. About 99.7% of QQB's loan portfolio is denominated in local currency. The level of non-performing loans (NPLs) is high, with 11.0% of the gross loan portfolio overdue more than 90 days as of year-end 2014.<sup>4</sup> However, this is a significant improvement over the previous year's figure of 15.2%. The NPL problem is concentrated in the HIRD loan portfolio. As of 31 December 2014, 27.8% of QQB's loans for houses started before 2014 (i.e., for which the 1-year grace period on principal payments had lapsed) were more than 30 days delinquent and 4.5% were more than 365 days overdue. The NPL rate on non-HIRD loans was only 3.0% in 2014 (2013: 0.7%). QQB is implementing an action plan to reduce its level of NPLs.

17. Ninety-eight percent of the bank's deposits are in local currency. However, deposits have constituted a shrinking share of total funding over the past 3 years, declining from 42% in 2012 to 29% in both 2013 and 2014. The bank's very high loan-to-deposit ratio (336%) reflects its use of low-cost credit lines from the government, rather than deposits, to fund its loan portfolio expansion. Although QQB's net interest margin is 4.7%, its high level of operating expenses (cost to income ratio of 82%) translates into poor numbers for ROAA (0.8%) and return on average equity (6.7%).

18. The bank has reasonable accounting and audit policies and produces annual financial statements according to IFRS. However, the bank needs more professionally qualified accounting staff; the bank is working to improve its recruitment and to increase training for accounting staff. Its annual independent audits are conducted according to ISA (currently, by Deloitte & Touche). In May 2015, Moody's awarded the bank a Local Currency rating of B2 and a Foreign Currency rating of B2. Moody's also assigned stable outlooks to all of the affected long-term ratings.

19. CBU has confirmed that QQB meets CBU mandatory prudential standards as well as conforms to anti-money-laundering and combating the financing of terrorism laws and regulations in Uzbekistan, including applicable CBU regulations (footnote 2).

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<sup>4</sup> Except for mortgage loans under the HIRD program, QQB considers loans more than 90 days overdue to be nonperforming. QQB only considers HIRD mortgage loans to be nonperforming if they are overdue more than 180 days *and* it is more likely than not that the loans will not be recovered even after sale of collateral. Because QQB believes that it would fully recover HIRD mortgage loans after the sale of collateral, QQB has not classified them as nonperforming even if they are more than 180 days overdue.

CONTRIBUTION TO THE ADB RESULTS FRAMEWORK<sup>a</sup>

Level 2 Results Framework			
No.	Indicators (Outputs and Outcomes)	Targets	Methods/Comments
1	New households connected to electricity (number)	7,851	Number of new houses targeted under HIRD 2015
2	Households with new or improved water supply (number)	7,851	Number of new houses targeted under HIRD 2015
3	Households with new or improved sanitation (number)	7,851	Number of new houses targeted under HIRD 2015
4	Water supply pipes installed or upgraded (length of network in kilometers)	277	
5	Microfinance loan accounts opened or end borrowers reached (number) <sup>b</sup> <ul style="list-style-type: none"> <li>Female</li> <li>Male</li> </ul>	225 525	An estimated 10% of HIRD 2015 <sup>b</sup> households will establish micro or home-based businesses and receive microfinance loans (30% female, 70% male)
6	Micro and small enterprise (MSE) loan accounts opened or end borrowers reached (number) <sup>b</sup>	750	An estimated 10% of HIRD 2015 households will establish new MSEs and receive MSE loans (approximately 30% female)

HIRD = Housing for Integrated Rural Development, MSE = micro and small enterprise.

<sup>a</sup> The Housing for Integrated Rural Development (HIRD) Multisector Strategy (2011 to 2015) promotes greater coordination and synergies among related government programs and strategies. Items 1, 2, 3, and 4 are implemented and financed under HIRD by local governments and state-owned utility companies. Items 5 and 6 will be supported under the government's Small Business and Private Entrepreneurship Program (in accordance with Presidential Resolution No. PP:1474 issued in 2011: "On Further Strengthening MSME Development."), with concessional credit lines provided to participating commercial banks under the government's Financial Sector Strategy (in accordance with Presidential Resolution No. 1438 issued in 2010: "On Priority Areas for Further Reforms and Sustainability Improvement of Country's Finance and Banking System in 2011–2015 and Achieving High International Ratings").

<sup>b</sup> HIRD 2015 houses will only be completed between Q4 2015 and Q3 2016, with home-based businesses and micro and small enterprise loan accounts likely to be established in 2016 or 2017. These targets to be met under Tranche 3 will likely be from homebuyers under HIRD 2013 and HIRD 2014.

Source: Asian Development Bank Staff