

# **Annual report on monitoring of safeguards measures**

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*For FI operations*

**Project number:** 3535-UZB

**Reporting period:** January-December 2020

**Republic of Uzbekistan:** "Affordable Rural Housing Program - Result based lending with participation of Asian Development Bank"

**Financed by** ADB

**Developed by:** ESMS Coordinator B. Turakulov

**Name of the organization:** JSCB «National Bank for Foreign Economic Affairs of the Republic of Uzbekistan»

**Country, city:** Republic of Uzbekistan, Tashkent

**Executing Agency:** Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan

**Approved by:** Deputy Chairman of the management of JSCB «National Bank for Foreign Economic Affairs of the Republic of Uzbekistan» A.Khodjaev

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## Part I. Introduction

The Program for the construction of affordable houses on updated typical projects in rural areas for 2017-2021 was initiated by the Government of the Republic of Uzbekistan in accordance with the Resolution of the President of the Republic of Uzbekistan No.PP-2812 dated from March 2, 2017 “On additional measures to implement the Program for construction of affordable houses on updated typical projects in rural areas for 2017-2021 with participation of Asian Development Bank”.

In pursuance of the Resolution of the President of the Republic of Uzbekistan No. PP-2812 dated from March 2, 2017 Loan Agreement No.3535-UZB of 06.07.2017 for \$ 500 million between the Republic of Uzbekistan and ADB was signed, which entered into force on July 18, 2017.

The aim of the project is to support in implementation of the Program to increase the number of rural families that responsible for the criteria of social justice and getting benefits from affordable housing built to national quality standards in 9 regions of Uzbekistan: in the Republic of Karakalpakstan, Bukhara, Kashkadarya, Namangan, Samarkand, Surkhandarya, Tashkent, Ferghana and Khorezm regions in 2017-2021. According to the Loan Agreement, the construction of 29,000 houses in these regions is envisaged, at the same time, construction of 4,758 houses is planned for the reporting year.

A specific feature of the Program’s financing is a selected financing mechanism – lending based on the results, which provides funding from ADB based on the results of the corresponding target indicators for each disbursement linked indicator (DLI).

**Table 1**

**In accordance with the Loan Agreement, the project consists of two following components:**

<b>№</b>	<b>Project components and brief description</b>	<b>mln USD</b>
1.	Credit line for providing mortgage loans	499,0*
2.	Capacity-building and project management support	1,0
	<b>Total:</b>	<b>500,0</b>

*\*) The distribution of ADB loan is carried out among the participating commercial banks in accordance with concluded agreements (National Bank of Uzbekistan (NBU) - \$179.0 million, JSCB “Ipoteka Bank” - \$170.0 million and JSCB “Qishloq Qurilish Bank” (QQB) - \$150.0 million).*

In accordance with the requirements of the Resolution of the President of the Republic of Uzbekistan No. PD-2812 dated March 2, 2017 “On additional measures for the implementation of the Program on the construction of affordable houses according to updated typical projects in rural areas for 2017-2021 with the participation of the Asian Development Bank”, by the protocol of the Management of the Bank No.432 dated from March 18, 2017 developed and approved the operating procedure for the units of the joint-stock company of the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan for working on the environmental and social management system under rural housing program with the participation of the Asian Development Bank.

One of the disbursement linked indicators (DLI-2) for 2020 is signing as minimum 4,758 mortgage contracts with selected Program's beneficiaries, of which at least 25% are women.

These 4,758 mortgage contracts were distributed among three participating commercial banks as follows:

- JSCB "Qishloq Qurilish Bank" – 1,776 preferential mortgage loans;
- JSCB "Ipoteka Bank" – 1,386 preferential mortgage loans;
- National Bank of Uzbekistan – 1,596 preferential mortgage loans.

At the same time, the distribution of mortgage loans issued under the Program with participation of ADB in 2020, broken down by regions, massifs and number of houses was as follows:

**Table 2**

**Distribution of mortgage loans issued by NBU in 2020 under the Program with participation of ADB by regions, massifs and number of houses**

№	District	Massifs	Total number of houses	4-storey 24-room apartment	
				number of houses	number of apartments
<b>Total:</b>			<b>1 596</b>	<b>63</b>	<b>1 596</b>
<b>Republic of Karakalpakstan</b>			<b>144</b>	<b>6</b>	<b>144</b>
1	Kegeyli	Juzimbog	24	1	24
2	Karauzak	Esim	24	1	24
3	Nukus	Aqmangit	48	2	48
4	Turtkul	Ullubog	48	2	48
<b>Kashkadarya region</b>			<b>264</b>	<b>11</b>	<b>264</b>
1	Guzar	Tinchlik	24	1	24
2	Kasbi	Tinchlik	48	2	48
3	Muborak	Bobur	48	2	48
4	Muborak	Dustlik	48	2	48
5	Nishon	Nuriston	72	3	72
6	Nishon	Nuriston-1	24	1	24
<b>Samarkand region</b>			<b>168</b>	<b>7</b>	<b>168</b>
1	Pastdargom	Guzalkent	48	2	48
2	Narpay	Narpay	48	2	48
3	Nurobod	Navruz	24	1	24
4	Jomboy	Kattakishlok	48	2	48
<b>Surkhandarya region</b>			<b>168</b>	<b>7</b>	<b>168</b>
1	Termez	Manguzar	168	7	168
<b>Tashkent region</b>			<b>300</b>	<b>9</b>	<b>300</b>
1	Bekobod	Istiklol	48	2	48
2	Kuyichirchik	Ibrat	96	4	96
3	Yukorichirchik	Mirobod	156	3	156
<b>Fergana region</b>			<b>312</b>	<b>13</b>	<b>312</b>
1	Besharik	Adirobod	120	5	120
2	Oltiarik	Kapchugay	120	5	120
3	Fergana	Mindonobod	72	3	72
<b>Khorezm region</b>			<b>240</b>	<b>10</b>	<b>240</b>

1	Khazorasp	Obod	120	5	120
2	Shovot	Kirgok buyi	120	5	120

The selection of beneficiaries is carried out in accordance with the Regulations on procedure for participation of the applicant in Affordable Rural Housing Program on updated typical projects for 2017-2021, approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No.103 dated from February 9, 2018 and Decree of the President of the Republic of Uzbekistan dated November 28, 2019 No. 5886.

The participating commercial banks (PCB) concluded 4,758 mortgage contracts with selected beneficiaries for the construction of affordable rural houses under the Program with participation of ADB, including: the National Bank of Uzbekistan – 1,596.

Thus, based on the above data, it can be argued that the NBU fully complied with all the requirements of the indicator associated with the withdrawal of loan funds (DLI-2).

It should be noted that all residential buildings that are being built according to the updated typical projects in the framework of the 2020 Program, fell into category B. Information on the results of the categorization of massifs is given in Table 3:

**Table 3**

**Results of categorization of massifs selected by NBU for construction of affordable rural houses under 2020 Program with the participation of ADB**

No	Region	Bank branch	Massifs	Project category on screening sheet on ecology	Project category on screening sheet on sociology	The presence of the conclusion of environmental expertise
<b>Republic of Karakalpakstan</b>						
1	Kegeyli	Karakalpakstan branch	Juzimbog	B	C	Yes
2	Karauzak	Karakalpakstan branch	Esim	B	C	Yes
3	Nukus	Karakalpakstan branch	Aqmangit	B	C	Yes
4	Turtkul	Turtkul branch	Ullubog	B	C	Yes
<b>Kashkadarya region</b>						
1	Guzar	Guzar branch	Tinchlik	B	C	Yes
2	Kasbi	Mubarek branch	Tinchlik	B	C	Yes
3	Muborak	Mubarek branch	Bobur	B	C	Yes
4	Muborak	Mubarek branch	Dustlik	B	C	Yes
5	Nishon	Karshi branch	Nuriston	B	C	Yes
6	Nishon	Karshi branch	Nuriston-1	B	C	Yes
<b>Samarkand region</b>						
1	Pastdargom	Pastdargom branch	Guzalkent	B	C	Yes
2	Narpay	Nurabad branch	Narpay	B	C	Yes
3	Nurobod	Nurabad branch	Navruz	B	C	Yes
4	Jomboy	Djambay branch	Kattakishlok	B	C	Yes
<b>Surkhandarya region</b>						
1	Termez	Termez branch	Manguzar	B	C	Yes
<b>Tashkent region</b>						
1	Bekobod	Bekabad branch	Istiklol	B	C	Yes
2	Kuyichirchik	Yangiyul branch	Ibrat	B	C	Yes
3	Yukorichirchik	Tashkent region branch	Mirobod	B	C	Yes
<b>Fergana region</b>						
1	Besharik	Besharik branch	Adirobod	B	C	Yes
2	Oltiariq	Rishtan branch	Kapchugay	B	C	Yes

№	Region	Bank branch	Massifs	Project category on screening sheet on ecology	Project category on screening sheet on sociology	The presence of the conclusion of environmental expertise
3	Fergana	Fergana branch	Mindonobod	B	C	Yes
<b>Khorezm region</b>						
1	Khazarasp	Khazarasp branch	Obod	B	C	Yes
2	Shovot	Shavat branch	Kirgok buyi	B	C	Yes

After completing the screening and categorization process of sub-projects the massifs and beneficiaries of the Program were selected according to the requirements. After the financing was opened and the construction work started, the specialists responsible for the implementation of ESMS in the field carried out audit of the implementation of each sub-project to make sure that the latter are being implemented in accordance with the requirements of the management of ESMS JSC “National Bank of Uzbekistan” and the Loan Agreement.

Information about the number of audits conducted by National Bank of Uzbekistan is provided in the following table:

**Table 4**

**Information about the number of audits conducted by NBU under 2020 Program with participation of ADB**

№	Region	Bank branch	Massifs	Start date of construction	Number of audits performed	By whom the audit was held *
<b>Republic of Karakalpakstan</b>						
1	Kegeyli	Karakalpakstan branch	Juzimbog	June	4	
2	Karauzak	Karakalpakstan branch	Esim	June	5	
3	Nukus	Karakalpakstan branch	Aqmangit	June	5	
4	Turtkul	Turtkul branch	Ullubog	June	5	
<b>Kashkadarya region</b>						
1	Guzar	Guzar branch	Tinchlik	June	4	
2	Kasbi	Mubarek branch	Tinchlik	June	5	
3	Muborak	Mubarek branch	Bobur	June	5	
4	Muborak	Mubarek branch	Dustlik	June	4	
5	Nishon	Karshi branch	Nuriston	June	5	
6	Nishon	Karshi branch	Nuriston-1	June	5	
<b>Samarkand region</b>						
1	Pastdargom	Pastdargom branch	Guzalkent	June	5	
2	Narpay	Nurabad branch	Narpay	June	5	
3	Nurobod	Nurabad branch	Navruz	June	5	
4	Jomboy	Djambay branch	Kattakishlok	June	4	
<b>Surkhandarya region</b>						
1	Termez	Termez branch	Manguzar	June	5	
<b>Tashkent region</b>						
1	Bekobod	Bekabad branch	Istiklol	June	5	
2	Kuyichirchik	Yangiyul branch	Ibrat	June	5	
3	Yukorichirchik	Tashkent region branch	Mirobod	June	4	
<b>Fergana region</b>						
1	Besharik	Besharik branch	Adirobod	June	5	
2	Oltiarik	Rishtan branch	Kapchugay	June	5	

№	Region	Bank branch	Massifs	Start date of construction	Number of audits performed	By whom the audit was held *
3	Fergana	Fergana branch	Mindonobod	June	5	
<b>Khorezm region</b>						
1	Khazorasp	Khazorasp branch	Obod	June	5	
2	Shovot	Shavat branch	Kirgok buyi	June	5	

\*) The audit was conducted by credit officers, specialists of the branches on ESMS

### **Implementation of reporting requirements for sub-projects.**

As it was mentioned above, by the Decree of the President of the Republic of Uzbekistan No. PD-2812 dated from March 2, 2017 “On additional measures for the implementation of the Program on the construction of affordable houses according to updated typical projects in rural areas for 2017-2021 with the participation of the Asian Development Bank” and by the protocol of the Management National Bank of Uzbekistan No.432 dated from March 18, 2017 developed and approved the operating procedure for the units of the joint-stock company of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan for working on the environmental and social management system under rural housing program with the participation of the Asian Development Bank.

In accordance with the NBU ESMS’s requirements, the ESMS’s coordinator was appointed at the head office of the bank, and specialists responsible for the implementation of ESMS requirements in the place in the Banks’ branches. Information about assigned coordinator and ESMS specialists in the bank’s regional branches are listed below.

**Table 5**

**Information about the appointed coordinator and specialists on ESMS in places in the system of NBU in the project regions within 2020 Program**

№	Region	Bank branch	Full name	Position	Number and date of order assigning
1	Tashkent city	Head office	Turakulov B.	ESMS coordinator	
2	Republic of Karakalpakstan	Nukus branch	Ubbiniyazov P.	Responsible for the ESMS	№KB-72 dated from April 2, 2018
3	Kashkadarya region	Karshi branch	Juraev K.	Responsible for the ESMS	№ 28K dated from January 25, 2017
4	Samarkand region	Samarkand branch	Kuchkorov K.	Responsible for the ESMS	№ 257 dated from February 23, 2018
5	Surkhandarya region	Denau branch	Ishniyazov J.	Responsible for the ESMS	№07 dated from January 9 2019
6	Surkhandarya region	Sherabad branch	Abdullaev A.	Responsible for the ESMS	№08 dated from January 9 , 2019
7	Namangan region	Namangan branch	Turdiev D.	Responsible for the ESMS	№ 47 dated from March 30, 2018
8	Ferghana region	Ferghana branch	Abdurakhimov	Responsible for the	№466K dated from

			Sh.	ESMS	December 23, 2016
9	Tashkent region	Tashkent regional branch	Nosirov A.	Responsible for the ESMS	№ 380 dated from October 30, 2019

## Part II. Environmental issues

In the reporting period, environmental monitoring in the project regions was carried out by responsible specialists in the ESMS. As indicated in the guidance of the National Bank on the ESMS, environmental monitoring of each land mass, where the construction of affordable residential buildings was carried out according to updated standard projects in rural areas, environmental monitoring was carried out at least 1 time per month (*except during the quarantine period and restrictions on promotion*).

Due to the fact that the COVID-19 Pandemic was declared, from March to August 2020, movement was limited (in places), both among the population and for government workers. Since September 2020, ESMS specialists switched to monthly environmental monitoring, during which checklists were filled in according to the template developed by the national consultant of ADB.

During the monitoring carried out during 2020, no cases of violation of environmental standards were revealed, and there were no accidents or incidents at the construction sites.

**Table 6**

### Information on identified problems during environmental monitoring conducted by specialists of NBU on ESMS within 2020 Program

№	Region, Bank branch	Number of audits	Identified discrepancies in:					
			Noise and vibration	Air pollution	Water pollution (visual)	Flora and fauna (visually)	Safety	Accidents
1	Republic of Karakalpakstan, Nukus branch	14	not found					
2	Turtkul branch	5	not found					
3	Kashkadarya region, Karshi branch	10	not found					
4	Guzar branch	4	not found					
5	Mubarek branch	14	not found					
6	Surkhandarya region, Termez branch	5	not found					
7	Samarkand region, Pstdargam branch	5	not found					
8	Djambay branch	4	not found					
9	Nurabad branch	10	not found					
10	Tashkent region, Yangiyul branch	9	not found					
11	Bekabad branch	5	not found					
12	Ferghana region, Ferghana branch	5	not found					
13	Besharik branch	5	not found					
14	Rishtan branch	5	not found					
15	Khorezm region, Khazorasp branch	5	not found					
16	Shavat branch	5	not found					
	<b>Total:</b>	<b>110</b>						



### **Part III: Compliance with ADB's Social Security Requirements and List of Prohibited ADB Investment Activities**

Before signing of mortgage contracts for the construction of affordable houses on updated typical projects in rural areas in the frame of the Program with participation of ADB in 2020 with selected beneficiaries, responsible specialists on ESMS conducted assessment of the sub-projects against compliance with prohibited investment activities list of ADB (PIAL). During the assessment, no any sub-project was identified that would match the PIAL.

Regarding compliance with social protection requirements, under the Program with participation of ADB in 2020, there were no cases of involuntary resettlement of local people and no one was suffered during construction.

### **Part IV: ESMS activities**

As it was mentioned above, construction sites for the purpose of environmental monitoring were regularly visited (*except during the quarantine period and restrictions on promotion*) by ESMS specialists. Information on the number of such visits is given below:

**Table 7**

**Information on environmental monitoring conducted by specialists on ESMS of NBU within 2020 Program**

№	Region, Bank branch	Number of audits	Purpose of audit	Note
	<b>TOTAL:</b>	<b>110</b>		
1	Republic of Karakalpakstan, Nukus branch	14	Conformity assessment for protective measures	
2	Turtkul branch	5	Conformity assessment for protective measures	
3	Kashkadarya region, Karshi branch	10	Conformity assessment for protective measures	
4	Guzar branch	4	Conformity assessment for protective measures	
5	Mubarek branch	14	Conformity assessment for protective measures	
6	Surkhandarya region, Termez branch	5	Conformity assessment for protective measures	
7	Samarkand region, Pstdargam branch	5	Conformity assessment for protective measures	
8	Djambay branch	4	Conformity assessment for protective measures	
9	Nurabad branch	10	Conformity assessment for protective measures	
10	Tashkent region, Yangiyul branch	9	Conformity assessment for protective measures	
11	Bekabad branch	5	Conformity assessment for protective measures	
12	Ferghana region, Ferghana branch	5	Conformity assessment for protective measures	
13	Besharik branch	5	Conformity assessment for protective measures	

14	Rishtan branch	5	Conformity assessment for protective measures	
15	Khorezm region, Khazorasp branch	5	Conformity assessment for protective measures	
16	Shavat branch	5	Conformity assessment for protective measures	

During the audit conducted in the project regions, no cases of non-compliance with the safeguards requirements were identified.

**Table 8**

**Information about cases of non-compliance with protective measures identified during environmental monitoring conducted by ESMS specialists within 2020 Program**

<i>No</i>	Region, Bank branch	Number of audits	Number of notifications issued by NBU	Announcement received by	What issues were addressed
1	Republic of Karakalpakstan, Nukus branch	14	–	–	–
2	Turtkul branch	5	–	–	–
3	Kashkadarya region, Karshi branch	10	–	–	–
4	Guzar branch	4	–	–	–
5	Mubarek branch	14	–	–	–
6	Surkhandarya region, Termez branch	5	–	–	–
7	Samarkand region, Paldang branch	5	–	–	–
8	Djambay branch	4	–	–	–
9	Nurabad branch	10	–	–	–
10	Tashkent region, Yangiyul branch	9	–	–	–
11	Bekabad branch	5	–	–	–
12	Ferghana region, Ferghana branch	5	–	–	–
13	Besharik branch	5	–	–	–
14	Rishtan branch	5	–	–	–
15	Khorezm region, Khazorasp branch	5	–	–	–
16	Shavat branch	5	–	–	–

Due to the fact that according to the monitoring results, cases of non-compliance on environmental performance were not identified; there was no need to develop a corrective action plan.

Concerning on grievance redress mechanism, in the NBU such a mechanism has been created and it is in operation. Thus, in accordance with the decision of the Management of the Bank No.2 dated from January 8, 2018, a department for addressing appeals from entities and individuals in head office of the Bank was set up. In addition, in the branches of the bank, this function is assigned on legal advisers.

In accordance with the Law of the Republic of Uzbekistan "On Appeals of Physical and legal entities" received complaint or appeal must be considered by the bank within 15 days from its registration in bank.

At the same time, persons affected by the project may contact a virtual reception of the Chairman of the bank's management by visiting the bank's website at [www.nbu.uz](http://www.nbu.uz).

During the reporting period, the NBU did not receive any complaint from individuals affected by the Affordable Rural Housing Program 2020.

**Table 9**

**Information on complaints received from persons affected by the Affordable Rural Housing Program 2020**

№	Region, Bank branch	Number of complaints received	Type (in writing, orally, by phone)	Main topics for complaints	Number of complaints solved
1	Republic of Karakalpakstan, Nukus branch	–	–	–	–
2	Turtkul branch	–	–	–	–
3	Kashkadarya region, Karshi branch	–	–	–	–
4	Guzar branch	–	–	–	–
5	Mubarek branch	–	–	–	–
6	Surkhandarya region, Termez branch	–	–	–	–
7	Samarkand region, Pastdargam branch	–	–	–	–
8	Djambay branch	–	–	–	–
9	Nurabad branch	–	–	–	–
10	Tashkent region, Yangiyul branch	–	–	–	–
11	Bekabad branch	–	–	–	–
12	Ferghana region, Ferghana branch	–	–	–	–
13	Besharik branch	–	–	–	–
14	Rishtan branch	–	–	–	–
15	Khorezm region, Khazorasp branch	–	–	–	–
16	Shavat branch	–	–	–	–

### Part V: Conclusion and Action Plan

According to the results of the reporting period, it can be concluded that from the side of the NBU, all safeguards requirements presented by the terms of the Loan Agreement signed during the second phase of the construction affordable rural housing program, where new "lending, based on results" model is implemented.

In the annual report of the National Bank on the implementation of ESMS by the end of 2020, it was noted that the potential of the responsible specialists of the National Bank of Uzbekistan on ESMS requires strengthening through a series of trainings.

Nevertheless, in order to make ESMS more effective, NBU intends to take the following actions in 2021.

**Table 10****Action Plan of JSCB "National Bank of Uzbekistan" for 2021**

<b>PCB</b>	<b>Issues</b>	<b>Actions required</b>	<b>Responsible</b>	<b>Period/data</b>
NBU	Publication of the annual report of the NBU according to the results of 2020 on the NBU's website	After the approval of the submitting ESMS annual reporting of NBU by MMU and ADB to arrange the publication on the NBU's website	ESMS coordinator	1 <sup>st</sup> quarter of 2021
NBU	Conducting a series of trainings by ESMS Coordinator for the NBU's regional branch specialists	To develop the handouts and presentation materials and make a training schedule	ESMS coordinator	During 2021