

Ministry of Construction of  
the Republic of Uzbekistan



*Empowered lives.  
Resilient nations.*

# Green mortgage market mechanism to scale-up demand for low-carbon in Uzbekistan

**UNDP/GEF Market Transformation for  
Sustainable Rural Housing in Uzbekistan  
Project**

**14 November 2018**

**Kyiv, Ukraine**

## BRIEF DESCRIPTION

### PURPOSE OF THE PROJECT

- The Project seeks to transform the rapidly growing rural housing sector in Uzbekistan towards a more sustainable and low-carbon housing by piloting and scaling-up a green mortgage mechanism

### Project Components

- Introduction of green mortgage scheme to finance the incremental cost of energy efficiency features to new rural houses;
- Strengthening domestic supply chains for low-carbon housing and settlements;
- Reworking standard house designs to energy efficient house designs;
- Reworking building codes and regulations to enable the scale-up of low-carbon housing and settlements;
- Improving master plans to incorporate energy efficiency considerations;
- Raising awareness of benefits of energy-efficient and low-carbon rural housing



## PROJECT HIGHLIGHTS

- TOTAL BUDGET: USD 136,665,099
  - GEF – USD 6.0 million
  - Regular (UNDP) – USD 0.3 million
  - Leveraged co-financing – USD 129.87, of which:
    - Government (Uzbekistan) – USD 32.83 million
    - Mortgages and Home Equity – USD 97.04 million
- Project Implementation Period: 2017-2023



## State Program for the construction of affordable rural houses in Uzbekistan

### In 2009, President of Uzbekistan Resolutions to support rural housing

- **First phase 2009-2016** – average of 12,000 houses built annually;
- **Second phase 2017-2021** – average of 20,000 houses built annually;
- Affordable houses are offered **at approx. 40% discount to the market**. This is achieved through tax exemptions for participants of the Program;
- While started with just one specialized bank, to date, **6 banks participate** in the program;
- Large multilaterals like **Asian Development Bank, Islamic Bank** and others have collectively provided over USD 1,0 bln to finance the Program.



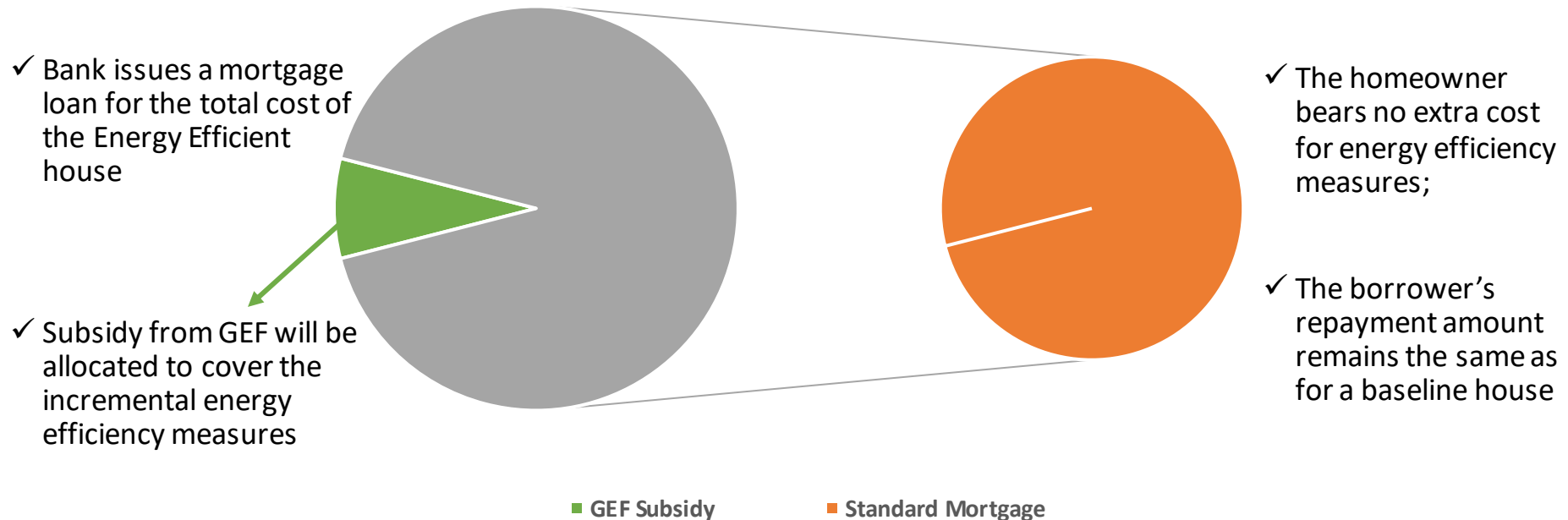
## GREEN MORTGAGE SCHEME

- ✓ The term “green mortgage” is generally defined as financing that allows homebuyers to borrow extra money for items that save energy and/or reduce GHG emissions;
- ✓ Within the framework of the Project, the green mortgage scheme will finance the incremental cost of energy efficiency features for new rural houses, funded by the existing mortgage program, at no extra cost to borrowers;
- ✓ GEF Funds totaling USD 3.0 mln will be used to top up and turn green approximately over 1,500 mortgages.
- ✓ The subsidy will aim for a mix in the pilot mortgage houses of 95% EE houses and 5% Low-Carbon houses.



## GREEN MORTGAGE WITHIN THE FRAMEWORK OF THE PROJECT

The green mortgage scheme will bring down payments to the same level as those for standard mortgages.



## STRATEGY FOR THE DEVELOPMENT OF GREEN MORTGAGE

### During the first stage of project implementation:

- The GEF contribution will be used to offset up-front costs energy-efficiency of the mortgages;
- Based on a Performance Based Payment Agreement modality, green mortgage subsidy shall be channeled through Qishloq Qurilish Bank, a flagship mortgage bank designated within the Rural Housing Program;
- The Project will monitor in-country conditions closely during implementation in order to develop the option of an interest rate subsidy if feasible.

Total direct GHG  
emissions avoided

- **Over 465,000 tCO<sub>2</sub> equivalent** over an assumed technology and materials lifetime of 20 years;
- Over 1,500 households (approx. 7,940 people, of which approx. 3,970 are female) will use low GHG systems – representing energy savings of about 940,000 GJ

## STRATEGY FOR THE DEVELOPMENT OF GREEN MORTGAGE

### During the second stage of project implementation:

- The Project aims monitor the energy savings in EE houses to demonstrate long term benefits of investing in incremental cost of EE measures;
- The Project will collect statistically significant data on **incremental cost vs. benefits of energy efficiency measures** for future recommendations:
  - **A case for local commercial banks** – to launch their own green mortgage bank product on reduced risk and financing costs;
  - **A case for multinational banks** – to allocate funds for green mortgage financing within the framework of ongoing State Program;
  - **A case for the Government** – to transform the State Rural Housing Program into State Green Rural Housing Program

Total **potential** GHG  
emissions avoided

**Over 5.8 million tCO<sub>2</sub> equivalent** marginal emission  
reduction each year during the next 20 years



Ministry of Construction of  
the Republic of Uzbekistan



*Empowered lives.  
Resilient nations.*

## RURAL HOUSING IN UZBEKISTAN

**Thank You !!!**