

OUTCOME DOCUMENT

of the International Conference “Modern and Sustainable housing as a driving force for comprehensive development and transformation of rural areas, enhancing the living standards of population”

(Tashkent, April 16-17, 2013)

The participants of the International Conference noted that the issues of sustainable housing along with the development of relevant infrastructure, considered to be a factor of growth and development, have always occupied a distinct position in the economies, in particular, in the banking and financial systems of the developed and developing countries.

At present, the construction sector accounts for 6 percent of the GDPs of Japan and Europe, more than 4 percent in the U.S., and reaching up to 8 percent in fast-growing economies. The cost of housing comprises up to 30 percent, whereas the share of housing construction reaches 25 percent of the total accumulated capital investment in the developed world, which in general signifies its great importance in economic development.

A study, conducted by the experts of the International Monetary Fund, states that a decline in demand and reduction of the real estate market by only 10 percent results in a two-percent decrease in the U.S. GDP, a three-percent - in domestic demand, and, most importantly, up to 20 percent drop in household investment. A similar state of affairs would cause an even more significant shrinking in Germany and Japan, with their GDPs declining by 5 percent, domestic demand decreasing - by 6 percent, and household investment dropping - by nearly 30 percent.

Currently, there is no shortage of liquidity in the financial systems of the countries which issue major reserve currencies. However, the adequate access to credit is not the driving force of economic recovery in the current financial and economic crisis, as there is insufficient flow of loans to the real sector. Under these conditions, housing construction and the relevant infrastructure, such as public utility and social sector, transportation, production of construction materials, become the spheres, with the housing construction being the most favorable one, which could and should serve as the most receptive areas for investments.

Improving the quality and standards of living in rural areas are important, especially for developing countries. According to the United Nations, currently

49 percent of the world's population lives in rural areas, and in Asian countries the rural population exceeds 58 percent.

Providing the rural population with better amenities is a global challenge that requires developing adequate mechanisms to address it. In this context, the development of sustainable rural housing is a driving force that can change the whole set of issues related to living, working conditions and development of the rural population. Indeed, housing construction has a major impact on the dynamics of economic development, initially revitalizing the relevant services and then speeding up all other sectors sequentially

Taking into account a particular importance of improving the rural living standards in many countries, and also the implementation of a policy in Uzbekistan regarding the consecutive enforcement of economic reforms in the rural areas, the International Conference “Modern and Sustainable housing construction as a driving force of comprehensive development and transformation of rural areas, enhancing the living standards of population”, held in Tashkent on 16-17 April 2013, gathered more than 800 participants, including over 300 foreign participants from 61 countries of the world. They included representatives of international organizations such as the UNDP, DESA, the Asian Development Bank, the World Bank, the Islamic Development Bank, domestic financial institutions and development banks, research centers, as well as experts and economists dealing with issues and problems of comprehensive social development in villages.

Participants of the International Conference listened to the keynote address of the President of Uzbekistan, Islam Karimov, with great attention, who dwelled on the results of the analysis of the role and importance of housing construction as a major power of economic growth.

The President stressed that housing construction has a major impact on dynamics of the economic development, and it is a key element for the establishment and stability of the financial system, construction industry, and new job creation. He noted that in the context of the ongoing global financial and economic crisis, housing construction, development of relevant infrastructure and industries are among the most prioritized and sensitive areas for application of capital and investment.

In his speech, the President of Uzbekistan clearly conveyed the content and nature of the comprehensive program launched four years ago in Uzbekistan and aimed at the radical transformation of village's appearance – successive improvement of the well-being and the quality of life of rural residents, changes in the nature of their work and living environment, and ultimately – change of thinking, mentality and lifestyle of rural residents.

Such issues as the role of housing in addressing the complex set of interrelated problems aimed at changing the appearance of countryside, improving the culture and comfortable living, were among the ones discussed during the conference.

Speakers at the Plenary Sessions and five workshops discussed and exchanged views on the development of legal and institutional frameworks for the implementation of large-scale rural housing construction programs, their impact on the economy and its sectors, further impetus to the growth of competition in the construction industry, growth of employment and incomes for the rural population. In their informative presentations, the participants took a detailed look at the experience and successful implementation of policies to reduce the gap between the urban and rural population.

The participants of the conference highly appreciated the opportunity to get to know first-hand the extent of the program implemented in Uzbekistan of rural housing construction based on standardized models. They visited the newly constructed rural residential areas in Bukhara, Samarkand and Tashkent regions, provided with transport and communication infrastructure, health and education facilities equipped in accordance with the present day requirements as well market infrastructure.

After having heard and thoroughly discussed the reports and presentations at the Plenary Sessions and workshops, the participants of the International Conference consider it necessary to make the following main conclusions:

1. Sustainable housing in any country and at any time has a major impact on dynamics of the economic development, initially revitalizing relevant services, and then speeding all other sectors in sequence. Indicators, namely housing sector investment dynamics, volume of orders for new housing construction, real estate price fluctuations, housing construction loans in all parts of the world are the important leading indicators, characterizing beginning of recovery or, on the contrary, the economic downturn in general.

2. Sustainable housing and development of relevant branches of the economy serve as an important link for formation and stability of the financial system, a reliable source of financial resources, and a major part of bank assets.

Under the present conditions, whereas confidence in financial institutions drops sharply worldwide, housing construction becomes a tool by which people's savings are transformed into investment, thus stimulating investment activity and expansion of the economy.

3. In the conditions of ongoing global financial and economic crisis comprehensive housing construction with simultaneous infrastructure development is becoming the main source of the economic recovery, a factor that supports economic growth and structural reorientation of the economy to domestic demand in developing countries.

4. The participants of the conference noted that in a short period of time – just in four years – Uzbekistan has achieved the impressive results in an ambitious program of rural housing construction.

Application of comprehensive approach has allowed to create strong legal, financial and resource foundations for successful implementation of the rural housing construction program in the long term.

5. The initial results show that the implementation of the program allows to provide successive alignment of life standards in rural and urban areas, to overcome the existing structural imbalance in the development of these areas, to ensure social stability and balanced development of the economy, as well as to make favorable conditions to pursue strong social policy which constitutes the basis of the Uzbek model of reforms.

The ultimate goals of the housing construction program are achieving drastic upgrades in the quality of life of the rural population, changes in the nature of their work and living environment, and eventually – achieving changes in thinking, mentality and lifestyle of the rural residents.

6. An appropriate legislative and regulatory framework has been created to implement the program of rural housing construction in Uzbekistan, the basic principles of which deserve a closer investigation for their potential application in other countries. They include the following:

- the state should provide with free land for construction of houses as well as to connect with the necessary infrastructure and communication lines;

- to fundamentally overhaul the system of architectural planning organization and rural housing construction according to Master Plans developed on the basis of modern urban planning regulations;

- to construct modern and comfortable housing in the newly created rural residential areas following "turn-key" models selected after testing for climatic and other conditions in all regions;

- to make houses affordable for the majority of rural families by providing with unprecedented tax and customs privileges and preferences for all participants of the program;

- to grant preferential long-term mortgage loans for the rural population to fund their purchase of modern houses in rural areas.

7. Proceeding from Uzbekistan's experience, it is necessary to emphasize the importance of creating effective structures and institutions consistent with the objectives of a large-scale rural housing construction program.

For this purpose, Uzbekistan has established a specialized commercial bank, a specialized design institute, an engineering company with its branches in all regions of the country, leasing companies and about a thousand of new specialized contractor construction companies.

8. In order to encourage the participation of individuals and organizations in rural housing construction, a wide range of unparalleled privileges and preferences have been introduced in the Republic of Uzbekistan.

In particular, borrowers are exempt from paying property taxes on purchased houses until full repayment of mortgage loans as well as income tax on the amount spent to repay mortgage.

Key institutions of the program namely design, engineering and contractor construction companies are exempt from virtually all taxes and mandatory contributions, they are granted privileges on customs duty payments for imported construction equipment and rigging.

Beneficiaries of individual rural housing are provided with long-term soft loans for up to 15 years with interest rate of 7 percent per annum, which is almost two times less than refinancing rate of the Central Bank of the Republic of Uzbekistan.

For enterprises providing their employees with financial support for home purchases, the taxable income for income tax is reduced by the amount of provided support.

9. Integrated approach to implementation of the housing construction program has become an important tool related to the issues of rural areas transformation and improvement of the living standards of the rural population.

State budget funds in the amount of \$70 million are allocated for the infrastructure facilities in the newly created rural areas in Uzbekistan for construction of water, gas and electricity lines as well as access to automobile roads.

About 700 facilities of social and market infrastructure including public schools, rural health centers, children's sports facilities, shopping malls,

branches of banking and credit institutions, market places, public service facilities, etc. have been built in the newly rural areas.

10. Implementation of systematic and comprehensive approach to housing construction has created a powerful impetus for development of construction industry – transportation and communication infrastructure, production of construction materials based on modern technologies, expansion of production of consumer goods and household items (furniture, appliances and other durable goods).

Operations have been launched by 600 newly established enterprises that, based on local raw materials, manufacture construction materials and structures including bricks, naturally occurring materials, foam, metal roofing, doors and windows, concrete slabs and floors, cable and electrical products, as well as a wide range of new finishing materials, including gypsum boards, dry mixes, ceramic tiles, boilers, building ceramics, flooring and many other popular products.

11. The program has received support from the international organizations and financial institutions. In particular, the Asian Development Bank has approved a five-year program to support housing construction for integrated rural development with the amount of \$500 million. Other international and national financial institutions as well as development banks are interested to participate in the program realization.

12. As a result of deliberate policy measures for rural housing construction as an essential element of transformation of living standards in rural areas, it is not only improvement of architectural appearance of the rural areas and the quality of life of the rural population to be achieved, but also increasing in the socio-political level and civil responsibility of villagers, ultimately leading to the reduced social tension and creation of favorable environment for formation of the future generation confident in their future.

Proceeding from the above-noted conclusions and review of the expressed opinions the conference participants find it necessary to offer the following recommendations:

1. Given the persistent gap in the living standards of the urban and rural population, the existing structural imbalances in development of the rural and urban areas leading to migration of the rural population to cities and uncontrolled urbanization, particularly in the developing countries, it is necessary to continue thorough practical investigation of the role and importance of integrated rural housing construction as an important element

of the social and economic development, growth of employment and improvement of welfare of the rural population.

2. Housing construction and the development of related industries and economic activities should become an important node in formation and sustainable development of the financial system, the source of the resource base and the core part of assets in the banking sector.

3. Investment in the construction industry, especially housing, should be treated as a priority, while providing employment growth and higher income levels, stimulation of domestic demand, revival and multiplicative growth in trade and services. Additionally, construction is a branch that provides transformation of investments into new jobs and facilities for production of goods and services.

Considering the high social and economic importance of implementation of the rural housing construction program, particularly in the developing countries, the conference participants urge the international organizations and financial institutions to scale up the housing projects along with development of transportation and communication, social and market infrastructures in the world's rural regions.

4. At the same time, the governments and their regulators need to take adequate and timely measures to avoid imbalances in the housing sector, and monitor the operations of banks involved in a variety of speculative operations in the mortgage market. In this case, the main objective of mortgage lending should be directed to the discrepancy between the limited financial resources of the rural population and the cost of comfortable housing.

5. Effectiveness of implementation of the housing construction programs depends largely on the availability of affordable quality building materials, employment of modern energy-efficient technologies in the housing construction. In this regard, implementation of the large-scale housing construction programs should be done simultaneously with the development and modernization of the construction industry as a whole coupled with introduction of advanced and innovative technologies of material production based on local resources and transition to the modern methods of construction works organization.

6. Uzbekistan's experience in implementing the integrated, deliberate and aimed at the final result focused program of the rural housing development should be studied by all the interested countries to consider issues of balanced economic development and enhancing the living standards of the rural population.

Basing on Uzbekistan's practical experience, as well as international practice discussed during the conference, it is proposed to thoroughly study the Uzbek experience in creating the structures and institutions of rural housing construction, integrated development of the construction industry, creation of incentives and privileges for all participants in the rural housing construction program.

7. Overall, the conference participants believe that the implementation of the rural housing construction program based on the standardized models in Uzbekistan will give a new impetus to the economic development of the country, its social and economic stability and raising welfare of the population.