



Date February 28, 1996

To Office Val Chodsky
USAID

From Office Alison Harwood
Barents Group

Subject Project Workplan contract EPE-0014-I-00-5070-00 Task Order #1

Attached is a copy of the workplan in the format requested by USAID. Please note that the completion and interim dates are based on Barents obtaining approval within the next week to move the project forward and for the personnel we would like to use on the project. If that cannot be done, Barents will most certainly do its utmost to assure that the work is done by the noted time frames. But it must be recognized that in addition to shortening the time available to complete the assignments, a delay in personnel approval may decrease Barents ability to mobilize quickly the staff needed to complete the assignments (as persons expected to work on the project may no longer be available and Barents will need to find replacements). Therefore, some elements of the project may require additional time for completion.

**PROVIDER WORK PLAN
WORKSHEET**

Project Name: Development of a Real Estate Mortgage Finance Market in Russia

Program Objective: Assist in the development of a real estate mortgage finance market

Country: Russia

Provider Name: Barents Group, LLC

Activity Number: EPE-0014-I-00-5070-00 Task Order #1

Span of Work Plan: 6 Months

Target: Each pilot bank complete up to 2 commercial real estate transactions

Outcomes:

1. Strengthened bank capabilities to identify, evaluate, issue and monitor financing for commercial real estate transactions.
2. Where possible, improved regulations and ordinances in pilot cities and at the national level as well.
3. New corporate financing techniques identified, or a clearer understanding of the types of mechanisms that might be needed to increase financing for CRETs.
4. Trained local officials and real estate professionals on commercial real estate transactions and improved local registration systems so they can register commercial real estate.

OUTCOME 1

1. OUTCOME IMPLEMENTATION STATEMENT Strengthen bank capabilities in finding, evaluating, issuing, monitoring and servicing commercial real estate transactions.

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Resources:		
1. Team <ul style="list-style-type: none"> • One full-time senior commercial/mortgage banker based out of Moscow leading the bank technical assistance. • One short-term senior commercial/mortgage banker to assist with needs assessment, develop bank manuals and training courses. • One full-time project coordinator to assist in the implementation of the technical assistance with the banks. • One full-time Russian based out of Moscow to assist with the implementation of the technical assistance with the banks. 	In place December, 1995 In place Early March, 1996 In place November, 1995 In place Mid-March, 1996	
2. Short term commercial/mortgage banking advisors to develop and teach formal courses.	As needed	
3. Office in Moscow and in bank facilities for regular site visits with banks.	In place January, 1996	
Outputs:		
1. Needs Assessment <ul style="list-style-type: none"> • Conduct needs assessment for each of the 4 pilot banks. • Jointly develop a work plan for assisting each pilot bank. 	End of March First week of April	
2. Documentation and Procedures <ul style="list-style-type: none"> • Modify existing manuals, procedures and documents for financing real estate transactions. • Tailor new internal procedures manual, business and legal documentation for each bank (if necessary). • Assist bankers in implementing new documents and procedures. 	Mid April Mid April Ongoing throughout project	First draft of procedures manual & documents by 3/30 for first pilot bank

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
<ul style="list-style-type: none"> Since our recommended pilot banks have different experience levels with CRETs, the needs assessment will allow us to target the most important areas for technical assistance. Jointly writing the work plan will help ensure buy-in by senior bank management on exact deliverables and necessary resource allocations. 		
<p>2. Documentation and Procedures</p> <ul style="list-style-type: none"> The team will modify or develop necessary documents and procedures for real estate transactions. We will organize these documents in a manual that can be distributed throughout the division. The banking advisors will work with the employees of the bank providing on-the-job training on how to use the new documents and procedures. 		
<p>3. Training</p> <ul style="list-style-type: none"> The team will modify or develop formal courses in the following subject areas to be taught to the listed audiences in the pilot banks. <ul style="list-style-type: none"> ➤ <i>General course in Commercial Real Estate Lending</i> <u>Length:</u> Three days <u>Audience:</u> Sr. Management, Underwriters (loan officers), back office staff ➤ <i>Real Estate Credit Risk Analysis</i> <u>Length:</u> Five Days <u>Audience:</u> Underwriters (loan officers) ➤ <i>Operations/Back Office</i> <u>Length:</u> three to four days <u>Audience:</u> Back office operations staff, auditing and accounting ➤ <i>Real Estate Appraisals and Legal Documentation</i> <u>Length:</u> three to four days <u>Audience:</u> Underwriters and Attorneys <p>Courses will train staff on integral components of processing and monitoring CRETs. Courses will be developed and taught by Barents' specialists in the specific subject matter. Each course will be taught for employees of each of our pilot banks. The number of people trained is dependent on the number of employees in each of the pilot banks.</p>		

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
<p>4. Computer Software</p> <p>If necessary, computer software will be modified or developed to assist banks in analyzing and monitoring CRETs. Current bank software will be analyzed during the needs assessment to determine what gaps may exist. The bank and the team will then agree on what, if any, software is needed.</p>		
<p>5. New Transactions</p> <p>Barents team will provide on-the-job training in identifying and processing new CRETs. This assistance will teach the bank employees how to apply the information learned in the formal classroom training and utilize the new documentation and process manual to issue up to two new CRETs (if applicable).</p>		
<p>6. Develop a roll-out plan for each bank</p> <p>Barents team will assist each bank in developing a roll-out program for their bank branches. Banks selected have a substantial branch network that has the ability to support a large roll-out of the program.</p>		<p>June-- begin identifying promising bank branches</p>
Achievement of Outcome:		
<p>1. Needs Assessment</p> <ul style="list-style-type: none"> • The Team will obtain the information needed about the bank's current documentation and procedures to identify key areas where assistance is necessary. • The Team will obtain copies of all current documentation that can be modified and upgraded. • A detailed work plan that addresses the needs identified in the needs assessment and the bank's requests will be developed and agreed to by the bank and the Team . 		
<p>2. Documentation and Procedures</p> <ul style="list-style-type: none"> • The bank will have detailed procedures in place for processing CRETs and transaction documents that are legally sound and protect the bank's interest. 		

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
3. Training <ul style="list-style-type: none"> • The bank's commercial mortgage staff will be well trained in all aspects of commercial mortgage credit analysis, proper operational procedures, real estate appraisals and legal documentation and trained on all software developed for the division. • Bank Senior Management and other bank staff will be knowledgeable about commercial real estate transactions and how to manage a department engaged in that business. 		
4. Computer Software <ul style="list-style-type: none"> • The bank will have the computer programs necessary to analyze, monitor and issue CRETs. 		
5. New Transactions <ul style="list-style-type: none"> • Commercial mortgage department of the pilot banks will be knowledgeable on how to identify new, attractive transactions and how to analyze, process, issue, and monitor the loans. 		
6. Roll out program <ul style="list-style-type: none"> • Pilot Banks will be able to roll-out commercial real estate transaction capabilities to many regions of Russia through their branch networks. 		

NARRATIVE:

Barents Group plans to work with four pilot banks to improve their ability to identify, evaluate, extend, and monitor financing for CRETs. To date, Barents has proposed working with two banks in Moscow, one in St. Petersburg, and one in Irkutsk. The team will evaluate the needs of individual pilot banks, develop materials (first a general procedures manual and documentation for CRET-related transactions and then tailor materials as necessary for each pilot), provide in-bank classroom training, assist with software needs and prepare a plan for rolling out the information to the banks branches.

Once selection of the pilot institutions is approved, the Barents team will begin assessing each bank's needs, preparing materials and training programs, and setting dates for providing training with each bank and for classroom seminars and training that can be provided to pilot and other banks on a wider scale. The team will build from the work done by the Urban Institute, as appropriate. The team is currently reviewing Urban Institute manuals, and will review documents and training, to begin identifying modifications and additions needed to support commercial real estate related operations. This analysis will develop further once work begins in each bank. To help banks in identifying transactions, Barents will work closely with the Enterprise Land Sales staff.

In addition to working with four pilot institutions, the team will also identify other banks in each pilot city to exchange information with, to enhance the team's knowledge of the banking environment as it pertains to financing CRETs (the problems, issues, concerns, etc.). These banks can also receive the general materials (manuals, documents, etc.) prepared by the team.

OUTCOME 2

2. OUTCOME IMPLEMENTATION STATEMENT: Improve regulations and ordinances in our pilot cities and where possible, on the national level

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Resources:		
1. One short-term U.S. legal expert traveling to Russia.	Mid-March/Early April	
2. Russian legal experts in each of the pilot cities to provide advisory services.	Mid-March/Early April	
Outputs:		
1. National <ul style="list-style-type: none"> • Evaluate and suggest solutions to National legal issues 	Early April	
2. Local/Oblast <ul style="list-style-type: none"> • Review and analyze legislation and regulations at oblast/municipal level • Identify legal gaps at oblast/municipal level (registration/foreclosure) 	Mid April Mid April	
3. Banks <ul style="list-style-type: none"> • Draft legal documentation for commercial real estate financing. 	Mid April	
4. Team <ul style="list-style-type: none"> • Assist the team in the legal aspects of financing CRETs. 	Advise throughout the project	

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Use of Outputs:		
<p>1. National</p> <p>Our legal advisor will review and where necessary revise the legal analysis we submitted to USAID in December. Then he/she will meet with legal advisors from other land use projects such as Steve Butler of the Urban Institute, to supplement information and determine the best way to make suggestions to the appropriate authorities.</p>		
<p>2. Oblast/Municipal</p> <ul style="list-style-type: none"> • Our legal advisor will coordinate with legal advisors from other land use projects to gain a full understanding of the current legislation relating to CRETs and what legal initiatives are taking place. • Our legal advisor will review relevant oblast/municipal legislation or regulations and make recommendations as to modifications or development of new legislation. • Our legal advisor will meet with government officials from each of the oblasts/municipalities to discuss recommended changes. • Our legal advisor will then work with municipal/oblast officials to draft legislation for areas mutually agreed upon by the legal counsel and the municipality/oblast. 		
<p>3. In Bank</p> <p>Our legal advisor will review legal documentation for the banks to insure that it adheres to all Russian laws and that it protects the bank's interest.</p>		
Achievement of Outcome:		
<p>1. National</p> <ul style="list-style-type: none"> • A revision of the current report on the national mortgage legislation and regulations (as needed). • Although it is understood that we cannot force legislative changes, we will attempt to influence the development or modification of pending legislation to the extent we can via our own and combined efforts with other land use projects. 		

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
2. Municipal/Oblast <ul style="list-style-type: none"> • A report analyzing local legislation of the two pilot cities, excluding Moscow. • Although it is understood that we cannot force legislative changes, we will attempt to influence the development or modification of pending legislation to the extent we can via our own and combined efforts with other land use projects. 		
3. Bank Legally sound documentation for the processing of commercial loans in each of our four pilot banks.		

NARRATIVE;

In each pilot city, Barents Group, led by the team's part time, foreign lawyer, will perform a diagnostic to identify the legal issues that impede greater financing of CRETs, and try to identify ways to improve the legal environment. Barents Group will work closely with city officials, bankers, and relevant real estate professionals on this effort. In addition, the team will identify local lawyers in each pilot city who can work with the team on a regular basis and carry through suggestions and ideas when the foreign lawyer is not in Russia. (Barents Group identified several of these issues while selecting pilot cities)

The lawyer will also review the work done to date by the Barents Group on the national legal situation as it pertains to CRETs, revise that information where necessary, and identify the appropriate channels and mechanisms for influencing the development of national legislation. A Russian lawyer will be identified in Moscow to work with the team on a full or part time basis to assist with following through on actions that need to be taken when the foreign lawyer is not in Russia.

OUTCOME 3

OUTCOME IMPLEMENTATION STATEMENT: New corporate financing techniques identified, or a clearer understanding of the types of mechanisms that might be needed to increase financing for CRETs.

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Resources:		
1. Short-term corporate finance specialist	Began Jan., 1995. Will return periodically throughout project	Next trip March, 1996

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
2. Full time Moscow-based staff <ul style="list-style-type: none"> • One full-time senior commercial/mortgage banker based out of Moscow leading the bank technical assistance. • One full-time project coordinator to assist in the implementation of the project. • One full-time Russian based out of Moscow to assist with the implementation of the project. 	In place December, 1995 In place November, 1995 In place mid March, 1996	
Outputs:		
1. Interviews with banks, funds, real estate professionals, international organizations.	Selected points throughout the project	
2. Identify financing approaches used and problem areas.	Selected points throughout the project	
3. Report on suggested approaches and/or solutions to improving financing techniques.	Selected points throughout the project	April, mid-term report submitted
4. Assist team in developing procedures documents and training for new approaches identified.	End of July, as needed	
Use of Outputs:		
1. An understanding of how financing is provided today for commercial real estate transactions and why certain approaches are and are not used. Reports covering this research and a concluding report.		
2. If possible, identify new mechanisms for financing CRETs.		
3. If a new approach is identified, develop the necessary procedures, documentation and training for the approach identified.		
Achievement of Outcome:		
1. If possible, a new approach for attracting financing for CRETs and bank staff at each of the four pilot banks trained on how to use this funding mechanism.		

REMARKS:

In addition to trying to strengthen the ability of banks to provide financing for CRETs through loans, Barents will try to identify new financing techniques that might be used in Russia to increase the flow of funds for CRETs.

Barents will evaluate the current situation in order to understand and evaluate what mechanisms are used today to finance CRETs, who is providing these mechanisms, for what purpose, and what are the pros/cons for financing CRETs over the short and longer term.

Barents will then evaluate new mechanisms that might be used to finance CRETs in order to suggest new mechanisms that might be used to finance CRETs, and to evaluate whether those mechanisms are usable in Russia today, what obstacles exist to using them, what would have to be done to eliminate those obstacles, and what the probability is of overcoming the obstacle. That is, in addition to identifying new, usable mechanisms, we will consider other mechanisms that are not being used in Russia and indicate other mechanisms considered but were discarded for clearly defined reasons.

OUTCOME 4

OUTCOME IMPLEMENTATION STATEMENT: Provide training to non-bank entities, assist with improving registration mechanisms, and disseminate public information on project activities and commercial real estate financing.

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Resources:		
1. Full time Moscow-based staff <ul style="list-style-type: none"> • One full-time senior commercial/mortgage banker based out of Moscow leading the bank technical assistance. • One full-time project coordinator to assist in the implementation of the technical assistance with the banks • One full-time Russian expert based out of Moscow. 	In place December, 1995 In place November, 1995 Mid-March, 1996	
2. Short-term registration industry experts (if needed)	As needed	
Outputs:		
1. Seminars on commercial real estate transactions given in each of the three pilot cities for government officials, non-pilot banks and real estate professionals.	Mid July	Early May Start

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
2. Seminars conducted with ELS to inform enterprises about banking requirements for commercial real estate lending.	Mid July	Early April Start
3. Public Information provided via the Chemonics Public Information contract.	Throughout project	Early March Start
4. Review registration and recordation processes <ul style="list-style-type: none"> • Review city's capabilities for recording/administering/registering commercial mortgages. • Identify gaps and recommend improvements to support CRETs. • Report to USAID on approach to integrate system for CRETs. 	<p>Late March</p> <p>Mid March</p> <p>Mid May</p>	
5. Develop Registration Capabilities (if necessary) <ul style="list-style-type: none"> • Modify software/hardware to accommodate registration of commercial mortgages • Assist in developing the processes for recordation of commercial mortgage loans. • Train local government officials in the area of registration/recordation 	<p>Mid June</p> <p>End of July</p> <p>August</p>	
Use of Outputs:		
1. Trained at least 20 local and federal government officials responsible for land relations, finance, banking, privatization and private sector development on real estate mortgage transactions.		
2. Training potential users of commercial real estate loans on what is necessary in order to receive financing for such a transaction.		
3. Develop a program to inform pilot city government administrations of the project and the benefits of developing a real estate mortgage finance market supported by a local administrative infrastructure.		
4. Ensure that there is a registration system in each pilot cities that can support the registration and recordation of commercial mortgages.		

CATEGORY	COMPLETION DATE	INTERIM BENCHMARKS
Achievement of Outcome:		
1. Governmental officials in pilot cities who are knowledgeable about commercial real estate transactions and the important role the municipality/oblast plays in facilitating such transactions.		
2. Potential customers who understand the bank requirements to receive a commercial real estate loan. Evidenced by an increase in CRETs (specifically ELS transactions).		
3. A real estate registration system that is capable of registering commercial real estate transactions.		

NARRATIVE:

Barents Group will work on three additional areas: training, registration, and public information. In addition to training bankers on how to manage commercial real estate lending operations, Barents Group also will train local government officials, real estate professionals, and potential borrowers on such matters as the basics of commercial real estate finance and transactions, registration systems, and how to obtain financing from a bank. This will help ensure that there is a base of knowledge in each pilot city on the need for and importance of financing CRETs and to assure that involved parties understand what their role is and how to perform it effectively, to create an environment that encourages such transactions and their financing. Work with potential borrowers will be done in conjunction with the ELS project, using potential borrowers they have identified.

Barents will also train local parties on how to teach these courses as part of roll-out program, Barents will analyze and to the extent necessary, help develop registration capabilities in the pilot cities outside Moscow to assure that proper recordation and registration is done and therefore owners and financiers feel that their right to property is secure. Finally we will work with the Chemonics Public Information project and develop brochures, publish papers and hold seminars on land privatization as part of a campaign to educate concerned parties as well as the general public on the importance of and financing for commercial real estate activities.