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October 17, 2003

Ms. Jean Lange  
Senior Financial Sector Advisor  
Office of Economic Growth Bureau for Europe and Eurasia  
USAID, Ronald Reagan Building - Room 5.08  
Washington, D.C. 20523

RE: Contract No. LAG-I-00-99-00036-00  
UI Project 06967-012, Competitive Financial Markets - Launching Debt Instruments (Support for  
Southeast Europe Mortgage Finance Network)  
*Quarterly Task Order Progress and Cost Report, July to September 2003*

Dear Ms. Lange:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, July to September 2003*, Competitive Financial Markets - Launching Debt Instruments (Support for Southeast Europe Mortgage Finance Network) as required under Section F.12 of the above referenced contract.

Please direct any technical questions to Ms. Sally Merrill, UI/Washington at 202.261.5755 or Email smerrill@ui.urban.org. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Dale Gredler (USAID/Washington)  
Sally Merrill (UI/Washington)  
USAID Development Clearinghouse  
IAC Deliverables File (06967-012)

**QUARTERLY TASK ORDER  
PROGRESS AND COST  
REPORT**

**JULY TO SEPTEMBER 2003**

**COMPETITIVE FINANCIAL  
MARKETS - LAUNCHING DEBT  
INSTRUMENTS  
(SUPPORT FOR SOUTHEAST  
EUROPE MORTGAGE FINANCE  
NETWORK)**

Prepared for



Prepared by

Sally Merrill  
*The Urban Institute*

Competitive Financial Markets - Launching Debt Instruments (Support  
for Southeast Europe Mortgage Finance Network)  
United States Agency for International Development  
Contract No. LAG-I-00-99-00036-00



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October 2003  
UI Project 06967-012

## QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JULY TO SEPTEMBER 2003

### COMPETITIVE FINANCIAL MARKETS - LAUNCHING DEBT INSTRUMENTS (SUPPORT FOR SOUTHEAST EUROPE MORTGAGE FINANCE NETWORK)

**Task Order No.:** LAG-1-00-99-00036-00

**Date of Issuance:** August 29, 2003

**Amount Obligated Under Task Order:** \$ 100,000

**Total Potential Task Order Amount:** \$ 256,431

**Dollars Expended To-date:** \$ 2,606

**Key Personnel:** Prime Contractor Contact: Sally Merrill  
Phone: (202) 261-5755  
Email: smerrill@ui.urban.org

#### **Task Order Description:**

The objective of this task order is to support the newly established Southeast Europe Mortgage Finance Network (SEEMFN) in its goals to promote the harmonization of mortgage laws, policies and procedures in the region based on international standards and best practices. This will promote faster primary market development as well as greater issuance of mortgage securities, which are in demand by institutional investors and pension funds. The SEEMFN is a public private partnership of local and foreign mortgage finance practitioners, donors and international financial institutions working together to promote better domestic mortgage markets and greater integration of the region's financial markets. In so doing, it is designed to support and complement the bilateral efforts of USAID missions in the region to support mortgage market development.

Support under this task order will consist primarily of:

- (a) providing legal experts to do cross country analysis on a variety of issues critical to accelerating the development of mortgage finance and securitization;
- (b) updating and maintenance of an already developed website;
- (c) supporting semi-annual meetings organized by members of the SEEMFN.
- (d) developing a protocol for collecting and displaying mortgage information across the SEE countries and a network of appropriate persons in each nation to assist in supplying the data; and

- (e) supporting semi-annual meetings organized by members of the SEEMFN, presentations will be made at the fall 2003 meeting on legal issues and on standardization issues at the spring 2004 meeting.

As required by Section F.12 of the Contract, a description of the progress under this task order during this quarter is set out below.

## I. HIGHLIGHTS

This project is a follow-on to the previous project -- Developing Secondary Mortgage Markets in Southeast Europe -- that took place during 2002 - 2003. This project culminated in development of a Working Group dedicated to improving mortgage finance in Southeast Europe (SEE), now called the SEEMFN, the Southeast Europe Mortgage Finance Network. Following a major conference in Sofia in February 2003, on mortgage issues in SEE and worldwide, the first SEEFN meeting was held in Sofia in May 2003. This meeting established an agenda for future studies and analyses, and their priorities. These include a critique of the legal framework for mortgage finance in SEE, a study of the potential for standardization, agreement to develop a database, and plans for future Working Group meetings in the fall 2003 and spring 2004.

Activities during the reporting period include the following:

- Initiate the Legal Analysis, to take place during October and November 2003
- Preparation for Working Group meeting in Bucharest, to be held December 2, 2003
- Expand Working Group membership for Croatia

## II. PROGRESS OF MAJOR ACTIVITIES

**Legal Gap Analysis.** Two mortgage market legal experts -- Carol Rabenhorst, UI, and Steve Butler, consultant to UI, will conduct an analysis of all mortgage-related laws in three or more SEE countries during Q4 2003. They will begin with Romania and Croatia. They will review the legal infrastructure for the primary market and the legal framework for developing a secondary market, including mortgage bonds and securitization. They will critique the current laws, both the good and bad provisions, as well as discuss any important gaps. The commentary, which will be posted on the website, will attempt to offer extremely practical guidance on good practice, comparing and contrasting alternatives, and suggesting why certain provisions might work well in a given setting. This will allow all SEE mortgage practitioners and officials involved in drafting new laws or amendments to gain a better understanding of the critical elements of good mortgage-related laws.

**Working Group Meeting.** The second Working Group meeting will take place in Bucharest on December 2. An invitation has been sent to the members. The preliminary results from the legal analysis will be presented. In addition, the meeting will establish current priorities for next steps and set a tentative agenda and location for the spring 2004 Working Group meeting.

**Working Group Members from Croatia.** Under another USAID project, Sally Merrill, the project manager, traveled to Croatia in September 2003. Meetings held in Zagreb afforded the opportunity to describe SEEMFN to several persons in Croatia, including the Assistant Minister of Finance, a staff member of the National Bank who deals with housing finance issues, and the Assistant Minister of Public Works, the Ministry that deals with housing issues. These experts have been invited to join the Working Group and attend the meeting in Bucharest.

**Website Development and Maintenance.** The Urban Institute, assisted by IME (Institute for Market Economics in Sofia), continues to maintain the project website – [www.ceemortgagefinance.org](http://www.ceemortgagefinance.org) -- and further develop it with new information, studies and reports on mortgage finance in the region and other relevant topics. This will include mortgage laws and regulations from the SEE and other countries, statistics on mortgage market developments in SEE, best practices on mortgage origination, data collection and securitization; studies of mortgage market issues related to the SEE countries, and case studies and educational materials.

### **III. DELIVERABLES AND REPORTS**

There are no formal deliverables or reports due this quarter. The draft report for the Legal Gap Analysis will be prepared during Q4 2003 and Q1 2004.

### **IV. PROBLEMS OR DELAYS AFFECTING THE TASK ORDER PERFORMANCE**

None at this time.

### **V. WORK PLANNED FOR NEXT REPORTING PERIOD**

- Working Group Meeting
- Complete the Legal Analysis
- Plan the development of an SEE regional mortgage finance database
- Plan an analysis of mortgage finance standardization in SEE
- Update the Website

### **VI. SPECIFIC ACTION REQUESTED**

None at this time.