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PROJECT APPRAISAL DOCUMENT

ON

A PROPOSED LOAN

IN THE AMOUNT OF US\$50 MILLION

TO

THE RUSSIAN FEDERATION

FOR

A REGISTRATION PROJECT

May 15, 2006

Environmentally and Socially Sustainable Development Unit  
South East Europe Country Unit  
Europe and Central Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 15, 2006)

Currency Unit = Ruble  
26.92 Ruble = US\$1  
US\$ = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

BTI	Bureau of Technical Inventory	LARIS	Land Reform Implementation Support Project
CA	Federal Agency for Cadastre of Immovable Property (Cadastre Agency)	LCS	Least Cost Selection
CAS	Country Assistance Strategy	MOEDT	Ministry of Economic Development and Trade
CIS	Commonwealth of Independent States	MOF	Ministry of Finance
CQS	Selection based on Consultants' Qualifications	MOJ	Ministry of Justice
DO	Development objective	NCB	National Competitive Bidding
EU	European Union	PIU	Project Implementation Unit
FER	The Foundation for Enterprise Restructuring and Financial Institutions Development (Selected PIU for the Project)	QCBS	Quality and Cost Based Selection
FIG	Federation Internationale des Geometres	RFP	Request for Proposals
FMR	Financial Management Report	SBD	Standard Bidding Document
FRS	Federal Registration Service	SIDA	Swedish International Development Agency
IBRD	International Bank for Reconstruction and Development	SOE	Statement of Expenditures
ICB	International Competitive Bidding	SOF	Subject of the Federation
ICT	Information and Communications Technology	TO	Territorial Office (regional office)
IDA	International Development Agency	UNECE	United Nations Economic Commission for Europe
IFC	International Finance Corporation	WPLA	Working Party for Land Administration

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**THE RUSSIAN FEDERATION**  
**Registration Project**

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## **A. STRATEGIC CONTEXT AND RATIONALE**

### **1. Country and sector issues**

Markets for land and real estate in the Russian Federation are under-developed and inefficient by the standards of developed market economies. This is caused by continued lack of clarity on land ownership, complicated and costly procedures associated with transactions – especially for new development -- and reluctance of municipal governments to switch from lease payments for municipally owned land to potential tax payments from privatized land. Inefficiency of land and real estate registration processes constrain the development of market relations in various sectors of the economy and limit the ability of the population to derive full benefits from their legislated property rights. Lack of effective information flows between the system of registration of rights and the agencies that have been responsible for cadastre (physical identification and description of real property objects) has complicated the process of registration and contributed to higher transactions costs.

The system for the registration of rights in Russia has developed following adoption of the law “On State Registration of Rights and Transactions in Immovable Property” (hereafter, Registration Law) in 1997. This Law placed the responsibility on the Subjects of the Federation (SOFs) to set up and manage registration systems in accordance with federally established guidelines. The regions were largely successful in dealing with this task, though there is variation in the quality of the registration systems across the country. The registration systems were established on a self-financing basis, being able to reinvest retained earnings. This was an essential element in getting the systems operational in relatively short order, but also provided incentive to complicate procedures unnecessarily as a means of generating additional income.

In 2004, Government took the decision to federalize the regional registration systems, moving them into Federal ownership and introducing more standard procedures for operation of the system across the country. The decision was also taken to move the registration system from a self-financing basis onto the Federal Budget, following a broader Government principle of moving all State-provided services onto budget financing. These reforms passed the responsibility for registration of rights to the newly created Federal Registration Service (FRS) within the Ministry of Justice.

The FRS is facing a tremendous challenge to establish a functioning unified registration system in the country in a short period of time. Currently, there are about 50 different registration software applications in use in 77 regions where FRS inherited offices, with more than half of the computer equipment in regions technically outdated. There are no standardized methodologies for land registration, the legal framework is in need of significant improvements, and human capacity of the new agency needs to be considerably strengthened to meet these challenges. One of most important institutional challenges is building a service-oriented organization out of former agencies and staff of the Ministry of Justice with no real legacy of measuring the impact or quality of service, or of client satisfaction.

In addition to improving the quality and efficiency of the registration system, the FRS also needs to develop and implement systems for electronic filing of large volumes of past transactions which are currently recorded only in paper form. Existing storage space and equipment capacities are severely limited.

Since its creation, the FRS has already made remarkable progress in implementing reforms. In 2005, FRS has nearly completed the process of becoming a fully functioning organization with the appointment of 77 heads of regional offices, nearly 1,500 managerial staff and more than 25,000 regular staff in regional offices as well as fully staffing the central office with 300 employees. It led the approval of 32 Federal normative acts and a number of normative acts in the 89 regions. Because the Federalization of services

led to a nearly 75% decrease in salaries of staff dealing with registration under the formerly self-financed decentralized systems, FRS also had to take immediate measures to try and retain qualified employees. Federal salaries were raised as quickly as possible – almost doubling them in the 2 years since the FRS' creation – as well as the introduction of incentive schemes, bonuses, etc.

The reforms of the registration system are being implemented under enormous time pressure and challenges. In 2004 there were about 15 million registration transactions and this is expected to increase at a rate of at least 30% annually - especially considering that 35% of properties in Russia are not yet privatized. Unfortunately, this rapid growth combined with the challenge of Federalizing services has already led to increased lines of clients waiting to register transactions. Parallel reforms of the housing market and important Government initiatives on accessible housing for mid-income population are placing additional importance and visibility on the registration services, which are cited as one of most significant bottlenecks. Improving the efficiency of the registration of rights is an essential step in establishment of a fully developed mortgage market in Russia.

In light of these recent developments and pending challenges, the World Bank project is designed to help support the process of reorganizing the system for the registration of rights in the country. Specifically, it will work on the aspects of the program where the FRS and the Government need advice on international best practices, such as the appropriate legal framework; institutional reforms, procedures, and business processes; training and public outreach; and the establishment of a solid, unified IT system to improve the efficiency of the service.

Reforming the registration service alone will not, of course, address all the important developmental challenges in the country in regards to real estate, land, property and financial markets, but it is one of the more important processes in this regards. The Government is also implementing a major Federal program on improving the system of land cadastre, and a parallel World Bank Cadastre Project under implementation is an essential part of this program. The Bank is also participating through the IFC in development of the mortgage market with partner Russian banks.

## **2. Rationale for IBRD involvement**

The IBRD has been actively engaged with the Government on the issue of real property markets and has an established track record in the areas of registration of rights and cadastre in many of the CIS countries. The IBRD is able to provide expertise not only on best practices for the registration system with knowledge of how the Russian system has evolved, but can provide its advice in the broader context of market development.

The Registration Project will be implemented in parallel with an IBRD financed Cadastre Development Project, which is managed by the Federal Agency for Cadastre of Immovable Property of the Ministry of Economic Development and Trade. The IBRD's involvement in both projects will help ensure that the needed coordination between the two systems in terms of participating regions, and information linkage solutions, are consistent and work together. The IBRD's involvement will help ensure that issues of improvements in the quality of services provided to the public, a high priority for the Government, reiterated in President Putin's annual address to the nation of April 25, 2005, will receive due attention during implementation.

The IFC, through the Foreign Investment Advisory Service (FIAS) has been working with Government on measures to simplify the process of business development. As part of that effort FIAS has been advising Government on measures to improve and clarify the procedures by which land is made available for the purposes of business development, and ways in which security of tenure in land can be strengthened in a way supportive of economic growth. The work on both the Registration and Cadastre projects is being

coordinated with the FIAS program so as to provide a full and coherent combination of measures dealing with immovable property and its role in economic development.

### **3. Higher level objectives to which the project contributes**

The project will directly address two of the three priority areas included in the CAS approved on June 6, 2002 -- strengthening public sector management and improving the business environment and enhancing competition. Under the first point, the Project will contribute to enhancing accountability mechanisms and information flows within and across different levels of government, improve the efficiency and quality of public service delivery, and improve fiscal management. Under the second point the Project will simplify and rationalize the process of registration of rights and strengthen the protection of property rights.

The CAS is built upon a cross-sectoral approach to improving the environment for economic development in Russia, while addressing important social and environmental issues. The Registration Project reflects that cross-sectoral orientation and is directly tied to the Government's strategy to improve the functioning of the public sector, facilitate access to public services for all strata of the population, and to foster growth through improved functioning of markets.

The Project is also consistent with the emerging country partnership strategy. It will address two of the four pillars of that strategy, namely: (i) improving the efficiency of Federal budgetary expenditures; and (ii) supporting regional development.

## **B. PROJECT DESCRIPTION**

### **1. Lending instrument**

The lending instrument for the Registration Project will be an IBRD Specific Investment Loan (SIL) of US \$50 million towards the total project costs of US \$101.5 million with a high level of co-financing from the Government of 52%. Regular national budget funding, which is usually limited to commitments of no more than one year, is not suitable for financing such a major sectoral investment where a single contract may require sustained funding over several years. The proposed loan will enable the Beneficiary (FRS) to finance the implementation of the most important elements of the registration system reforms in Russia.

### **2. Project development objective and key indicators**

The project will support on-going reforms of the registration system of rights in immovable property in Russia through improving procedures and the information flow from the registry to users with a development objective to facilitate the development of real property markets, improve the quality of services provided, and strengthen the linkages with other organizations dealing with real property. These other organizations will include the Federal Cadastre Agency, the Tax Authorities, municipal government, and representatives of the private sector, such as notaries and real estate brokers.

The outcome indicators for the Project will be the number of market transactions in immovable property (sales and lease) and the number of mortgages registered in regions participating in the Project; and the capacity of the registration service to provide information to clients irrespective of the place of submission of the application and the location of the object (ex-territorial principle of information access.). Statistical information on these indicators will be available from the registration offices. Baseline data will be set for each participating region for the year prior to entry into the Project. Growth of 10% by the third year of the Project and 20% by the end of the Project in these regions measured against the baselines when they enter the project will be expected.

Key results indicators will be:

- Reduced time required for the registration of rights;
- Submission to the government of a set of normative acts for introduction of electronic archiving and electronic signature of documents;
- Increased archive capacity;
- Increased client satisfaction with the Registration System;
- Improved applicant awareness of requirements and procedures for registration;
- Increased labor productivity of the Registration Service;
- Reduced time for the provision of information from the registry;
- The technical capacity to receive and transmit information between the Registration Service and other federal agencies, including the Cadastre Agency.

Currently, the Registration Law stipulates that registration of rights be carried out within 30 days of submission of documents. A goal of the Project will be to establish standards of service approaching those of modern registration systems worldwide. This will be made possible through implementation of unified registration software and changes in registration procedures. It is intended to set a standard of 15 days for both initial registrations (registration of properties not previously entered into the system) as well as for secondary transactions (those for which the property in question have previously been registered). While a substantial improvement over current practice, this would not reach current best international practice of a few hours in the case of secondary transactions.

In territorial offices there is a current shortage of space for the archival of documents and the existing space is often not used efficiently. Through the use of modern mechanical archive systems it is expected to increase the capacity of the archives (measured in the number of files per square meter) by 10% within the first three years of the project and by 25% by the end of the project.

Improvement in the quality of services provided by the Registration System will be an important indicator of project results. This indicator will be evaluated on the basis of information collected through institutional impact monitoring that will be conducted intermittently over the life of the Project. In each participating region, an assessment will be conducted prior to initiation of project activities to establish baseline measures for this indicator.

The indicator for improved information to applicants will also be monitorable through the institutional impact monitoring.

Data for number of registrations of rights per staff (labor productivity) will be readily obtainable from data collected by the Registration Service, as will the processing time of information requests handled by the participating registration offices. Currently, information requests received by the registration system are to be processed within 7 days and this should be reduced to 1 day by the end of the project. Labor productivity, which is currently 700 registrations per staff member per year, will be targeted to increase to 1,200 registrations per staff member per year by the end of the project.

Communication links with other Government bodies is cumbersome, with data exchange with the Cadastre Agency offices typically occurring from once every ten days to once a month. The information linkages to be installed under the Project will provide the technical capacity to allow for information requests to be processed within 30 minutes and for daily data sharing with other Government bodies. Information on this indicator will come from the social assessment surveys and from the Registration Service.

### 3. Project components

The Project will be composed of four components: (1) Institutional Development of the Registration Service; (2) Information and Communications Systems; (3) Improvement of Professional Skills; and (4) Project Management. Summary descriptions of these are provided in this section, and detailed descriptions are provided in Annex 4.

The Project will run for 6 years and will mainly benefit 25 of the 77 Territorial Registration Offices of the Registration Service, serving roughly one-third of the country and more than 70 million people (nearly half of the population). A list of 25 regions where the reforms need to be implemented on a priority basis has been developed by the FRS in consultation with the Government and includes areas with the highest demand on one hand, and the highest degree of readiness to introduce new procedures on another, and also where there is a commitment of government administration in a given Subject of the Federation (SOF) to support the needed institutional and policy changes foreseen under the Project. The FRS is, of course, committed to continue the implementation of the reforms in the rest of its offices but this will be done outside the scope of this project, with the FRS using its own resources. These 25 regions would receive new hardware and software developed under the project. The Institutional Development Component will support the reforms on the Federal level and specific capacity building activities in these 25 regions. Of course, the component will also impact the rest of the regions which will need to adopt the new practices in parallel, including legal and regulatory reform, training programs, development of service standards, and various elements of the improved availability of information. The implementation of the unified registration information system, included in the Information and Communications Systems Component will be phased to allow for testing of the new software before rolling out in all participating regions. Up to 52 FRS Offices in total will be upgraded with new mechanical archive shelves, which should improve the efficiency of storage systems by at least 25 percent. In addition to these upgrades, the modern automated systems will be installed in 5 larger regional archives of the FRS. Since the existing facilities are not fit for installation of such automated equipment, they will be renovated based on international standards.

#### **Institutional Development of the Registration Service (\$58.4 million – of which IBRD loan \$17.8 million and Government budget \$40.6 million: 36% of the Loan)**

The objective of this component is to improve the functioning of the offices of the Registration Service through an upgrading of operational and normative procedures and improving service delivery to clients. Federalization of the system of registration of rights presents unique opportunities with respect to the improvement of client services and overall efficiency of the system through reviewing and revising existing operating procedures and introducing service standards nationwide. The objectives of this component are to reduce the time necessary for the registration of rights – from the time applications are received until the rights in question are registered – by bringing this more into line with established service standards in developed market economies and to improve the quality of services provided in terms of information availability and customer reception areas where needed. The level of client services will be monitored as part of the institutional impact assessments to be carried out over the life of the Project. The registration offices are faced with increasing problems in managing their document archives. In the higher-volume offices, the amount of space required and the cost of archive maintenance are already beyond what can be sustained. This component will develop a document storage strategy involving centralized archival storage at the regional level and the use of scanned copies for reference and information purposes.

Specific tasks to be undertaken include:

- (i) Full legal and regulatory analysis and development of draft legislation as needed to improve the operation of the registration system;

- (ii) Development of a set of service standards for the registration system and monitoring of their implementation;
- (iii) Renovations to the local registration offices involved in the Project to improve the quality of client services;
- (iv) Provision of better information to the public and professional community;
- (v) Monitoring of the quality of registration services through a series of institutional impact assessments;
- (vi) Development of a modern document archival system for the Registration Service with implementation of modern mechanical archiving in 52 regions, and establishment of 5 larger regional electronic archives in priority areas.

**Information and Communications Systems (\$57.1 million – of which IBRD loan \$27.4 million and Government budget \$29.7 million: 55% of the Loan)**

The objectives of the Information and Communications Systems component is to develop an efficient software application for registration and information transfer, to convert existing data into the new system, and to ensure that the system is operational in all regions involved in the Project. Until 2005, each SOF was responsible for managing its own system for registration of rights. It is estimated that there are about 50 different registration software applications in use around the country. Under this component, a review of the existing software applications will be carried out, and standardized registration software will be developed and implemented, possibly on the basis of one of the existing systems. This has the advantage of ensuring consistent service standards, procedures and legal security, while easing the transfer of data across regions and eventually making possible registration of rights for an object from any location in the country. The standardized system will be tested in 4 regions (St. Petersburg; Moscow; Samara, Rostov Oblasts) and subsequently rolled out in stages in an additional 21 regions, with further roll-out to be implemented by the FRS beyond this project. This component will finance the ICT equipment necessary for operation of the unified registration information system. Existing data will need to be converted for use in the new standardized format. It is highly unlikely that direct conversion will be possible for all data in the existing systems to the new unified system. The Project will hire companies on a tender basis to be responsible for the data conversion. All registration data held at the local offices will be backed up at the regional level. An 'exchange server' will have a copy of this back up database, which will be used as the source of information for queries and registration applications from other regions.

Specific tasks to be undertaken include:

- (i) Analysis of the existing information systems, currently in use in the regional offices;
- (ii) Development, testing and roll-out of the unified registration software;
- (iii) Conversion of existing data to the format required for the unified registration software in regions participating in the Project;
- (iv) Delivery and installation of the equipment suitable for running the new unified information system.
- (v) Conversion of documents into an electronic format for archival in storage centers.

**Improvement of professional skills of registration staff (\$2.4 million – of which IBRD loan \$1.2 million and Government budget \$1.2 million: 2% of the Loan)**

The changes envisaged under this project will have major implications for the staff of the Registration Service. Training programs are required to: (i) provide guidance on policies involving improvement of customer services and a focus on quality of service; (ii) ensure all staff understand and apply the new regulations and procedures being applied throughout the federation; (iii) understand and correctly utilize the registration system software; (iv) understand and correctly utilize WEB sites and technology; (v)

appreciate the relationship between registration, economic development and the roles of other government agencies; and (vi) understand best practice for registration as used in other countries. The goal of this component is to enhance the knowledge and skills of registration staff in these areas through development of an overall training strategy for the Registration Service, development and conducting of specialized training courses, development of distance learning courses, provision of an operational manual for registration staff, conducting foreign training and study tours, and conducting seminars within Russia.

Specific tasks to be undertaken include:

- (i) Development of an overall training strategy
- (ii) Development and conducting of training on specialized courses and themes
- (iii) Development and implementation of distance learning courses
- (iv) Conducting a program of foreign training and study tours
- (v) Creation, printing and distribution of operational manuals for registration staff
- (vi) Conducting seminars in Russia
- (vii) Participation in relevant international conferences

**Project Management (\$4.6 million – of which IBRD loan \$3.6 million and Government budget \$1 million: 7% of the Loan)**

An Inter-Agency Working Group will be established with representation from the Ministry of Justice, the Federal Registration Service (FRS), the Ministry for Economic Development and Trade and the Ministry of Finance. This group will be responsible for strategic oversight of project implementation. The Federal Registration Service will appoint a Project Director who will be responsible for day-to-day management of the Project. This component will finance the work of a Project Implementation Unit (PIU), which will be hired to manage the financial accounting, reporting and procurement activity under the Project. The PIU will be responsible for other administrative activities associated with implementation. This component will also finance short-term consultants on an as-required basis for specific project needs.

#### **4. Lessons learned and reflected in the project design**

The experience with implementation of IBRD projects in Russia underscores the importance of close cooperation between project implementation units and the designated implementing agencies of Government. For the Registration Project, the PIU will be linked to the Federal Registration Service through the Project Director.

Experience in Russia also shows the need to keep project design simple and focused if implementation is to be successful. The Project is focused on key development aspects of the system of registration of rights and the Federal Registration Service is well placed to oversee the implementation of these measures.

Attempts have been made over the last 10 years in Russia to more effectively link registration of rights with cadastral functions of property identification. These attempts have generally involved piloting approaches at the local or regional levels. Included among these was the Registration Component of the IBRD financed Housing Project. While some useful experience was generated using this approach, it has become obvious that systematic improvement in cooperation between the system of registration of rights and the cadastre requires resolution of basic institutional and legal/normative issues at the Federal level. That is the approach being employed under the Registration Project. Establishment of the Federal Registration Service also represents an important advantage for achieving the project objectives.

The Project will address improved information linkages not only with the cadastre, but with the tax authorities, municipal government, and others. The Project design will need to remain sufficiently flexible to take advantage of further advances in ICT that occur during implementation.

The Registration Project will incorporate a stronger program of monitoring than existed for earlier IBRD financed projects in Russia. More attention will be given to making the registration system more responsive to the needs of clients and in improving the overall level of service.

## **5. Alternatives considered and reasons for rejection**

The primary option considered was for a joint project implemented by both the Ministry of Justice and the Cadastre Agency. This approach had the advantage of linking the Unified State Cadastre of Immovable Property and the system for State Registration of Rights in Immovable Property in the same project. The Government took the decision, however, that a jointly implemented project would pose significant implementation problems and that it would be best to approach the problem of linking the two systems through Internet-based access to the respective databases. As part of the Government reform announced in March 2004, both the MOJ and the Cadastre Agency face significant institutional and policy restructuring tasks that can best be addressed through separate projects. This will require particular care of the two independent projects, which will be handled by the same IBRD team, if the intended economic benefits of improved coordination are to be realized.

## **C. IMPLEMENTATION**

### **1. Partnership arrangements**

The Project is being implemented in coordination with the Cadastre Project as both projects are designed to help the development of the real estate and land market in Russia, and such coordination is essential.

### **2. Institutional and implementation arrangements**

The detailed implementation arrangements are described in the Operational Manual for the Project. The Project will be implemented by the Federal Registration Service through the existing network of registration offices at the regional and local levels. An Inter-Agency Working Group has been established with representation from the Ministry of Justice, the Ministry of Finance, the Ministry of Economic Development and Trade and the Federal Registration Service. This Group is responsible for taking strategic decisions with respect to the Project and serve as the forum for clearing any issues requiring the Ministry of Finance. Within the FRS, Thematic Groups for Institutional, Information System, and Training Components have been established to provide technical guidance for implementation of the Project. The thematic groups will be responsible for drafting technical specifications and terms of reference, assisting in evaluation of bidders' proposals, and oversight of project implementation in the participating regions. The Project Director will be assisted by a group of technical consultants in coordination of implementation activities. The full project management arrangements are described in Annex 6.

The Foundation for Enterprise Restructuring and Financial Institutions Development (FER) has been selected as the PIU for the project. The assessment of the financial management and procurement capacity of FER has been carried out, and all steps identified by the Financial Management Specialist as needed to be taken by the PIU with regard to financial management have been taken. The PIU will be responsible for financial management and procurement functions. This will include obtaining necessary Government and World Bank clearances for specific project implementation steps, preparation of financial management reports (FMRs), maintenance of the project procurement plan, and execution of annual project budgets that have been approved by Government and reviewed by the IBRD.

The FER will be required to enter into an agreement with the MOF and the FRS, clarifying these organizations' relative roles and responsibilities in project implementation. The Draft Project Implementation Agreement has been prepared, and its *signing, along with adequate staffing of the PIU, with resources and terms of reference satisfactory to the IBRD, will be a condition of effectiveness.*

The Finance and Economic Department of the FRS will provide oversight of work of the PIU in the area of financial management and will ensure replenishment of counterpart financing on the basis of applications for such from the PIU. The staff of the Finance and Economic Department of the FRS will handle these functions in addition to their current responsibilities.

At the regional level, responsibility for project implementation will be placed with the Head of the Territorial Office (TO) of the Registration Service. The Head will be authorized to assign specific project implementation functions to staff as appropriate and will be responsible for coordination with regional government. For a full description of project management arrangements, see Annex 6.

### **3. Monitoring and evaluation of outcomes/results**

The monitoring indicators for the Project are provided in Annex 3 and described in section B2 above. The Federal Registration Service is in a position to collect information concerning progress on many of the agreed indicators during the course of project implementation. To this end, the Head of each participating Regional Office of the Registration Service will be responsible to the Project Director for provision of data and information to verify progress with respect to these indicators. Staff of the thematic groups and PIU will travel to the participating regions to oversee project implementation and to identify problem areas requiring attention from the Federal level. In addition, institutional impact assessments will be carried out during implementation of the Project. This monitoring will provide independent feedback on the performance of registration services as perceived by direct service recipients (private citizens or businesses holders who have gone through the process of property registration or are involved in property registration at the time of the monitoring, as well as those seeking information about property registration). It will also provide data about the level of information and the perception of the quality and usefulness of registration service among the general public and business holders. These assessments will be conducted during the life of the Project, at the inception of the phases associated with the implementation of the unified information system and at the close of the Project.

The feedback from these two sources will be used to assess the need for modifications in how the project is being implemented and issues that need to be addressed. They will also be used to assess the success of the Project in meeting its objectives.

### **4. Sustainability**

The decision to move the system of registration of rights from a self-financing basis to a budget funded activity has raised some questions about its longer term sustainability (see the next Section on risks). The Project will assist in implementing the institutional restructuring of the registration system, but Government will need to carefully assess the ongoing financial requirements for maintaining a reliable and efficient system. The Government has already demonstrated its commitment to provide adequate funds needed to implement and sustain the reform agenda by providing \$51.5 million in co-financing towards this project, committing adequate resources of nearly \$10 million for remodeling the archive facilities in 52 regions in 2006 to prepare them for project interventions, more than doubling the funding of the FRS from 2005 to 2006, and by securing increased budget commitments for future years. The Project will be helping to finance a large communications and information system. The maintenance costs for keeping the system operational will be significant. The Ministry of Justice has confirmed to the IBRD that adequate

resources will be available to cover maintenance costs. For sustainability beyond the end of the Project, Government will need to look at a qualitative increase in budgetary allocations in support of the registration system. The economic and financial benefits to be derived from the planned upgrade in registration system capabilities will justify their continued maintenance (and further improvement) over time.

## 5. Critical risks and possible controversial aspects

The project's overall risk is rated Modest (M), according to the following considerations.

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
<b>To project development objective</b>		
Institutional risk of FRS not being able to meet the challenges posed by the reorganization and Federalization of the registration services.	The human resource challenge has been addressed by the Government through the provision of incentive packages and bonuses as well as rapid increases in salaries. The budget for FRS has more than doubled from 2005 to 2006. The Government has assigned a high level of political importance to reform of the registration system and the FRS.  The Project represents a critical part of the strategy to deal with these institutional risks. It will allow for rationalization and simplification of business processes, invest in office infrastructure, provide programs of training for staff, and enhance the prospects for successful conversion to the new unified information system.	M
Implementation delays are common in Bank projects in Russia, especially those requiring inter-ministerial coordination.	One agency has primary responsibility for implementation, mitigating this risk. Furthermore the project is supporting implementation of a reform that has already been adopted, minimizing uncertainties associated with the anticipation of further restructurings.	S
Risk of insufficient coordination with the Cadastre Development Project, to be implemented by the Federal Agency for Cadastre of Immovable Property (Cadastre Agency).	The coordination will be ensured in terms of project implementation schedules, selection of regions, and coordination in the development of software and overall ICT system design. This is in the mutual interest of both the Registration Service and the Cadastre Agency. Agreement on these points between the two agencies has been reached and will be tracked carefully during implementation.	M
Registration Service has little experience in Bank fiduciary requirements.	A project implementation support unit with 10 years' experience in implementation of Bank-financed projects will ensure that accounting, financial management and procurement procedures are consistent with the Bank's requirements. Bank fiduciary staff based in Moscow will also provide regular oversight.	M
<b>To component results</b>		
<i>Component 1: Institutional Development of the Registration Service:</i> FRS is unable to improve the efficiency of the registration services and introduce new business procedures.	There is considerable social and political pressure on the FRS to improve the efficiency of its services following the reforms of the system, and there is a full commitment of the management of the FRS to pursue the institutional changes. The project is supporting improved technical approaches to implement the new procedures, and staff are being provided with comprehensive training programs and study-tours.	S
<i>Component 2: Information and Communications Systems:</i> Delays and complications during procurement of large ICT related packages.	The Bank has gained rich experience on ICT procurement in Russia, and is planning to provide specialist advice on this issue, as part of its supervision. In addition, a specialized thematic group will be established prior to project implementation to oversee and carry out the preparation of technical specifications for IT packages.	M
<i>Component 3: Improvement of Professional Skills:</i> FRS is not able to improve customer services.	The FRS has agreed to include comprehensive and regular surveys for measuring the impact of the project on the population and providing feedback. The project is supporting the development of service standards, which will be publicly displayed, and the establishment of help facilities and customer reception areas.	M

Risk ratings: N – Low or Negligible; M – Modest; S – Substantial; H - High

## **6. Loan/credit conditions and covenants**

### Prior to Effectiveness

A Project Implementation Agreement will be entered into between the MOF, the Registration Service, and the PIU, which has staff, resources and terms of reference satisfactory to the IBRD.

### Project Implementation

During the Project implementation, the Borrower will:

- Maintain the PIU with a sufficient number of staff, adequate resources and terms of reference satisfactory to the IBRD.
- Apply standard financial covenants, including accounting system, audit, and financial management reports (FMR).
- Maintain policies and procedures adequate to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the IBRD, the carrying out of the project and the achievement of the project's objectives; and
- Submit annual progress reports not later than 45 days after the end of each calendar year.

### Financial Covenants

FER will maintain a financial management system acceptable to the IBRD. The FER financial statements, project financial statements, SOEs and Special Account will be audited by independent auditors acceptable to the IBRD and on terms of reference acceptable to the IBRD. The annual audited statements and audit report will be provided to the IBRD within six months of the end of each fiscal year.

In addition, the FER will prepare the periodic FMRs for each calendar quarter, and submit them to the IBRD within 45 days after the end of the reporting period.

## **D. APPRAISAL SUMMARY**

### **1. Economic and financial analyses**

The Project represents an important part of the Government's broader program of stimulating the development of immovable property markets and allowing for more effective utilization of these important economic assets. The expected economic benefits resulting from the Project are diverse and difficult to measure effectively. Analysis of some of the individual impacts, however, indicates substantial economic returns to the Project (see Annex 9). The Project will have direct economic impact through improved efficiency of the system of registration of rights and improved access to information in the registry. These improvements will come in both quantitative and qualitative ways. An important quantitative measure is the reduced time required for registration of rights and for responding to information requests. The time required for registration of rights will be reduced from 30 days to 15. The time required to respond to information requests will be reduced from 7 days to 1 day. The estimated economic value of these two measures alone, assuming 35 percent coverage of the country, is approximately \$15 million per year.

Indirect benefits of the Project will include an increase in the number of transactions in immovable property and elimination of the legal requirement for surveys (technical inventories) in the case of normal secondary transactions. The Project will contribute to an increase in the number of transactions in immovable property, particularly for new development, through improved information, the positive impact

of the reduction in bureaucratic requirements, and development of more reliable revenue sources for municipal government through improved access to information on rights holders in immovable property to the tax authorities. This latter step will facilitate the privatization of municipally owned land that is currently held as a source of lease income for local government. Lease markets for municipally owned land are non-transparent and inefficient means of allocating access to land.

Fiscal Impacts: The impact of the Project on government revenues will be substantial. Currently, land tax payments amount to 45 billion rubles per year (approximately US\$1.5 billion). Tax on other immovable property amounts to 100 billion rubles (US\$3.4 billion). It is expected that through improvements in the quality and amount of data in the registration of rights data base and its more timely and reliable provision to the tax authorities, that collections of land and other immovable property taxes can be increased by 10 percent in real terms. Assuming that 35 percent of the properties in the country will be covered by the Project, this will result in additional government revenues of nearly US\$170 million per year by the end of the Project. This assumes no changes in current tax rates and valuation methodologies.

## **2. Technical**

The primary ICT elements of the Project are contained in Component 2, although ICT training not directly related to the information systems being developed under the project is included in Component 3, together with the development of remote training software and courses in the subject fields relevant to the project.

Among the 77 regional offices of the Registration System, multiple disparate registration software packages are in use, most of them developed locally, with widely varying degrees of sophistication. A major challenge that the Project will address is the design, development, and testing of a new unified registration software to replace all these existing applications and provide the basis for integration across the whole country and allowing the possibility for the implementation of remote transactions independently of location. The unified system will require harmonization throughout the Registration System of all the classifiers used in the description of objects within the unified database. This will be conducted in conjunction with a review and revision of existing operational and regulatory processes associated with registration of rights.

Given the complexity of this undertaking, a minimum of two to three years will be required for design, development and testing in pilot regions before the new unified application will be ready for widespread roll out to the rest of the project regions. Piloting of the unified registration software will be conducted in four regions included in the project, prior to further scaling up in the subsequent regions of the project.

A substantial issue that will be addressed is associated with the conversion of existing data into a format that can be used by the new registration application. While the project will support the development of tools to automate this process, it is expected that the legal review and certification that the conversion process has been conducted correctly will require substantial time and resources. This conversion process and training of staff in the new system must be carefully orchestrated and conducted in every region in accordance with the roll out plan for the Project and immediately prior to switching over to the new system. For this switch to be effective, in every local office there has to be a clear date for its implementation, after which the previous system will no longer be used.

While the Project does not include the cost of communications between the different offices of the Registration System, terminal equipment to allow the creation of an Intranet throughout the System is included. Every location will thus be provided with the necessary systems to create an internal LAN and connect to the Internet, as well as secure channels to connect with other offices, most likely on the basis of DSL technology, where available. This telecommunications network will allow linking the local offices with the regional offices, as well as with the federal level, in an open architecture using Internet-based

connectivity which nevertheless will provide for the high levels of security required for such an application, in particular through the use of secured VPN technology and electronic signatures. Although registration operations will be retained at the local level, it will be possible to access information and commence actions remotely from any terminal nationwide to any office. Provision of this kind of remote access, both for internal purposes, as well as (with some limitations) to other agencies and the public, is considered a priority by the authorities.

### **3. Fiduciary**

Financial management functions for project arrangements will be carried out by the PIU which was selected through a competitive tender in November 2005. This entity is the Foundation for Enterprise Restructuring and Institutional Development (FER). FER has the necessary capacity to implement IBRD-financed projects. The financial management arrangements of the project are acceptable to the IBRD, subject to signature of an Agency Agreement between the Ministry of Finance, Federal Registration Service and FER, assigning the latter the responsibilities for the fiduciary management of the Registration Project.

FER is in compliance with its audit covenants of existing IBRD financed projects. FER's previous and current project financial statements and auditing arrangements are satisfactory and will be replicated for the Registration Project. The annual audited project financial statements will be provided to the IBRD within six months of the end of each fiscal year and also at the closing of the project. In accordance with IBRD audit policy the first and final audits will cover the period up to 18 months.

#### Procurement Issues

A procurement plan covering the first 18 months of project implementation has been agreed.

The PIU will be required to have two full time staff responsible for procurement. If the workload during the peak periods of project implementation requires it, additional procurement staff will be hired. The Project foresees a large number of contracts in the areas of consultant services, training, goods, technical services, and works (office repair). These will be packaged together to the extent possible to simplify the procurement process. The PIU will need to have procurement staff able to handle this diversity of work. Because there will be a number of high-value contracts in the area of ICT, it will be particularly important to have staff familiar with the specifics of this type of procurement.

The PIU will open a file for each contract package and all procurement correspondence and other relevant documents such as draft and final bidding documents, minutes of bid opening, evaluation reports, minutes of contract negotiations, draft RFPs, and draft and final contracts will be filed. This will not only make the implementation work more efficient, but also allow IBRD staff and independent auditors to conduct their functions of supervision and audit more efficiently.

#### Financial Management Issues

All financial management functions for the Project, including preparation of withdrawal applications, management of the Special Account, operation of the financial management system, and preparation of the FMRs will be the responsibility of the PIU.

The financial part of the quarterly FMRs for the Project will include:

- (a) Project sources and uses of funds statement,
- (b) Statement of expenditure detail,

- (c) Physical Implementation Progress Report (contract management), and
- (d) Notes to the FMRs.

The financial part of the annual FMRs for the Project will be subject to audit by independent auditors acceptable to the IBRD and according to the Terms of Reference acceptable to the IBRD, and will include:

- (a) Project sources and uses of funds statement,
- (b) Statement of expenditure detail,
- (c) Special account statement,
- (d) Statement of Expenses (SOE) withdrawal schedule and
- (e) Notes to the FMRs.

The PIU will supply the IBRD with quarterly FMRs and annual audited FMRs. Disbursement of IBRD funds will be through the traditional disbursement mechanisms, including Special Account, Summary Sheets and SOE, direct payments, Special Commitments covering Letters of Credit, and guarantees. The federal funds will be disbursed through a ruble account (Project Account) managed by the PIU. The Project will not use the FMR-based disbursement.

#### **4. Social**

Social assessments carried out during the project preparation helped identify areas that needed improvement to make the registration service more user-friendly and more accessible to various population strata. It also helped identify individual and macroeconomic characteristics affecting the willingness of the population to register property but exogenous to the quality and configuration of the registration service. Specifically, the study related the willingness and ability to register property to individual and household characteristics (income, age, gender, profession, education, etc.), to the characteristics of the locality (big city, small town, village) and the region, the type of property (apartment, land, building), the time and cost of different registration procedures. The study was based on regional surveys of households that went through the registration process as well as the overall population of the studied regions. The study also collected through focus group sessions, open ended interviews and through the process of participatory observation qualitative information about reasons and circumstance behind specific attitudes to registration and the specifics of functioning of registration offices. (For more details of this survey see Annex 10).

Some of the key problems and challenges for the registration system that were identified in the survey include:

- Insufficient information about overall costs and benefits of registration (fears about increased taxation vs. the uncertainty about benefits of more secure property rights);
- Significant disparities in the accessibility and quality of registration services by region. The time, the cost of registration services as well as the perceived levels of corruption of registration officials vary significantly by region;
- The needs of elderly, disabled and young population groups are not sufficiently addressed;
- A lack of coordination between the cadastre and registration services. The need to visit offices (at the time of the study three offices, including the BTI), collecting two sets of documents and paying twice produced an impression of duplication of work, effort and cost.

The project has been designed to address these issues in several ways. The procedures of registration will be simplified through legislative reforms and will be standardized across all project regions through the use of the unified information system to be developed. Information and outreach systems will be redesigned and better targeted to different audiences and more accessible to different users of the registration system through the use of the internet as well as development and distribution of various relevant printed information materials. Qualifications and incentives of the registration service employees will be realigned to make them more motivated to provide fast, courteous and high quality service to users

of the system. Finally, better systems of coordination between the cadastre and registration services will help to reduce the need for multiple visits and duplication of documents.

## 5. Environment

The Project is rated category “B”. The project poses minimum environmental risks. It involves remodeling of the five buildings where the installation of modern automated systems is expected. There is a limited amount of office refurbishment included for interior work, primarily adjusting office floor plans, construction of counters, and similar work. The Environmental Management Plan for “works” under the Project has been prepared and disclosed. Bidding documents for renovations will include the standard provisions for use of design standards, non-hazardous materials and worker safety in line with Russian legislation. The project will provide environmental benefits by verifying and protecting rights in immovable property, thereby enhancing incentives for the environmentally sustainable use of these assets.

## 6. Safeguard policies

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <u>OP/BP 4.04</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <u>OP 4.09</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property ( <u>OPN 11.03</u> , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <u>OP/BP 4.12</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <u>OD 4.20</u> , being revised as OP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <u>OP/BP 4.36</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <u>OP/BP 4.37</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <u>OP/BP/GP 7.60</u> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <u>OP/BP/GP 7.50</u> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## 7. Policy Exceptions and Readiness

With satisfactory assessment of the financial management and procurement capacity of the PIU and agreement on implementation mechanisms amongst all involved agencies outlined in the Operational Manual accepted by the Bank all requirements for implementation of the Project are in place. The Project would become effective once the Project Implementation Agreement between MOF, FRS, and the PIU that has already been drafted is signed.

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

## **Annex 1: Country and Sector or Program Background**

### **THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

A developed real estate market is a critical element for investment. Progress in facilitating active land and real estate markets in Russia has not been sufficient to leverage those important economic assets for investment purposes. With adoption of the Law on State Registration of Rights and Transactions in Immovable Property in 1997, systems for registration of rights in immovable property were established at the level of Subjects of the Federation, under the guidance of the Ministry of Justice. These systems have been able to meet the basic needs of the population, however the service standards have been well below those in developed market economies and the overall quality of the registration system has varied by region.

A related problem in the Russian Federation has been the split between the land cadastre and the so-called buildings (gradostroitel'nyy) cadastre. The land cadastre had been maintained by the Federal Land Cadastre Service of Russia (Roszemkadastr) and predecessor organizations going back to 1990. The buildings cadastre has been maintained at the municipal level by the Bureaus of Technical Inventory (BTIs). These organizations were established in the 1930's primarily as a means of keeping information on residential properties for the purposes of State control. This has led to a very difficult situation for parties involved in the real estate market. If the transaction only involves a building or part of a building, such as an apartment, the parties to a transaction have had to deal with two agencies. If land is also involved, they have had to deal with three agencies. If the process involves land allocation and granting permissions to build for development, the process may take years and cost many tens of thousands of rubles.

Municipal government has been reluctant to privatize land parcels, as municipally owned land has been an important source of revenue. The split in the traditional legal treatment between land and buildings has meant that while businesses and enterprises were largely privatized in the 1990's, they were not given ownership rights to the land they occupy. This has remained largely in municipal ownership. Municipal government has been slow to make available undeveloped land for development purposes, again for the reason of being reluctant to cede the right of ownership, and access to such land has been non-transparent, ad hoc, and high-cost.

*A study during project preparation by the Russian Center of Land Law and Economics concluded that: "... these negative features are regarded as the reason that an appreciable quantity of real estate has not been recorded by taxation bodies and is not involved in lease relationships; a civilized market of real property is lacking; real estate is not used to accumulate capital; investments in real estate have come to the lowest notch; real property is rarely used as security for loans; data concerning real property resources are disunited and distributed amongst different agencies; there are fourteen territorially oriented state cadastrals and registers in the country which are run independently without any correspondence with each other. As a consequence of these negative features the country's economy is characterized by: underpayments to government revenues; capital outflow from the country; ageing fixed assets and deterioration of infrastructure; chronic shortage of circulating assets; the absence of the state's propriety attitude towards its own national wealth; and the slow pace of the structural reorganization of the economy."*

Between 1995 and 2003, the IBRD financed the Land Reform Implementation Support (LARIS) Project to establish the basic infrastructure for the land cadastre and to enable the land market to operate. This involved an extensive program of domestic and international training, the equipping of mapping companies to provide the basic location data needed for the real estate market and property tax system, and support to local and regional land cadastre offices. This basic infrastructure is now in place and has already had a marked impact on recording land parcels for both legal and fiscal purposes.

Numerous efforts have been made by donors since the mid-1990's to establish more efficient linkages between the functions of cadastre and registration of rights. These efforts, including the registration component of the IBRD-financed Housing Project, generally suffered from a lack of clarity on policy and institutional issues at the Federal level. Without this, attempts to introduce more effective working arrangements at the local level proved extremely difficult.

In 2004 the Government has initiated a new program of legal and regulatory reform to improve how immovable property assets are utilized and to facilitate more active development of markets. A critical feature of this program is the unification of the heretofore separate land and buildings cadastres. Responsibility for this has been given to the newly created Federal Agency for Cadastre of Immoveable Property. Furthermore, the BTIs are to lose their monopoly control of technical inventory (survey) of apartments and buildings and to compete as commercial enterprises with other survey companies. In addition, other rules and regulations holding back development of immovable property markets are to be examined and changes introduced. It is intended that the new structure will increase reliability by making it less likely for different organizations to have conflicting information and making it easier to link with the system of rights registration under the Ministry of Justice.

Another part of the Government's program is the Federalization of the system for registration of rights. This will allow for a review and rationalization of existing procedures, the introduction of unified service standards across the country, the ability of the cadastre and registration of rights systems to 'talk' to one another on a standardized national basis, and the possibility of registration of any property in the country from any point in the country.

The Registration Project and the related Cadastre Development Project will be a critical part of the overall strategy for immovable property. They will allow for the upgrade of the registration service, unification of the immovable property cadastre, and improved information linkages between the two. These improvements will both facilitate the development of markets in immovable property, but also allow for an increase in local government revenues through immovable property taxes.

## **Annex 2: Major Related Projects Financed by the Bank and/or other Agencies**

### **THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

#### **World Bank financed projects**

LARIS (Land Reform Implementation Support Project). 1995-2003; DO rating "S"

Capacity building for the State Land Committee and subsequent restructured forms of this agency ending with the Federal Land Cadastre Service of Russia. The Project helped establish a modern land cadastre in Russia by financing investments in national mapping capacity and automation of rayon and territorial offices in regions participating in the Project. A major program of domestic and foreign training was also provided.

Housing Project. 1995-2002; DO rating "U"

A component of the Housing Project was devoted to registration of rights and attempted to build reliable information linkages among the local Registration of Rights offices, BTIs, and Land Cadastre Bureaus in select regions of the country. The Project provided equipment, some training, and was to develop software for information linkages. The desired information linkages were not achieved.

#### **Other Donors' Activity**

Real Property Information System. (SIDA). 2002-2004.

This Project has been implemented in Arkhangelsk Oblast and involved the development of a concept and initial implementation for the improved information coordination among the local Registration of Rights offices, BTIs, and Land Cadastre Bureaus.

Real Property Information System. (SIDA). 2004-2005.

The concepts developed in Arkhangelsk are to be further developed in Leningrad and Novgorod Oblasts. There will be some emphasis on business process modeling that will be useful for the information system component part of the IBRD funded Cadastre Project.

Support for the Implementation of Land and Property Policy Tools. (EU-TACIS). 2003-2005

This project is mainly providing consultancy to advise the Russian government on land use, land management and the development of land markets. It followed on from a previous project that concentrated on training and procedural issues (including technology) in Rostov Oblast.

**Annex 3: Results Framework and Monitoring**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

**Results Framework**

<b>PDO</b>	<b>Outcome Indicators</b>	<b>Use of Outcome Information</b>
Registration by legal owners of their rights in immovable property; development of the market for immovable property and increase of investment activity in such property; increase in revenues to the budget.	Quantity of economic transfers of immovable property (sales, lease)  Quantity of mortgages registered  Capacity to provide information to clients irrespective of the place of submission of the application and the location of the object (extra-territorial principle of information access)	Planning subsequent Government economic development strategy.
<b>Intermediate Results One per Component</b>	<b>Results Indicators for Each Component</b>	<b>Use of Results Monitoring</b>
<b>Component One:</b> Improved legal, regulatory and operational environment for immovable property market.	<b>Component One:</b> Reduction of time for registration  Submission to Government of a set of normative acts for introduction of electronic archiving and electronic signature of documents  Increase of archive capacity (files per m <sup>2</sup> )  Increase in the percentage of surveyed population that understands the requirements and procedures for registration	<b>Component One:</b> Assess the effective implementation of legal and regulatory reform  Assess project impacts for replication in other regions.
<b>Component Two:</b> Improved information flow and increased efficiency of the offices of the Registration Service.	<b>Component Two :</b> Increase in labor productivity (number of registrations performed by one staff in one year)  Reduction in time for processing information requests from individuals  Technical capacity to receive and transmit information between Registration and other Federal Agencies, including Cadastre Offices  Increase in information requests.	<b>Component Two:</b> Verify improvement in economic efficiency of the Registration Service.  Verify improvement in the quality of services provided by the Registration Service.
<b>Component Three:</b> Increased qualifications of staff of the Registration Service	<b>Component Three:</b> Increase in percentage of surveyed applicants that are satisfied with the work of the registration offices.	<b>Component Three:</b> Assess project impacts for replication in other regions.

## Arrangements for results monitoring

Outcome Indicators	Baseline YR1	Target Values					Data Collection and Reporting		
		YR2	YR3	YR4	YR5	YR6	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Quantity of economic transfers of immovable property (sales, lease)	Actual data for CY 2005		10% increase			20% increase	Annual	Statistics	Registration Service
Quantity of mortgages registered	Actual data for CY 2005		10% increase			20% increase	Annual	Statistics	Registration Service
Capacity to provide information to clients irrespective of the place of submission of the application and the location of the object (ex-territorial principle of information access)	No Capacity					Capacity Available	Every three years	Information of the Registration Service	Registration Service
<b>Results Indicators for Each Component</b>									
<b>Component 1:</b>									
Reduction of time for registration	30 days (average)					15 days (average)	Annual	Information of the Registration Service	Registration Service
Submission to Government of a set of normative acts for introduction of electronic archiving and electronic signature of documents	Not available					Submitted	Annual	Project reports	PIU, Registration Service
Increase of archive capacity (files per m <sup>2</sup> )	Actual Data for CY 2005		10% increase			25% increase	Every two years	Project reports	PIU, Registration Service
Increase in the percentage of surveyed population that understands the requirements and procedures for registration	Initial Impact Assessment		10% increase			30% increase	Every three years	Impact Assessment	PIU
<b>Component 2:</b>									
Increase in labor productivity (number of registrations performed by one staff in one year)	700					1,200	Annual	Information of the Registration Service	Registration Service
Reduction in time for processing information requests from individuals	7 Days					1 Day	Annual	Information of the Registration Service	Registration Service
Technical capacity to receive and transmit information between Registration and other Federal Agencies, including Cadastre Offices	No Capacity					Capacity Available	Every three years	Information of the Registration Service	Registration Service
<b>Component 3:</b>									
Increase in percentage of surveyed applicants that are satisfied with the work of the registration offices.	Initial impact assessment		10% increase			20% increase	Every two years	Impact Assessments	PIU

**Annex 4: Detailed Project Description**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

The objective of the project is to improve the system of registration of legal rights to immovable property by developing standardized, clear and more efficient registration procedures, and by introducing an improved information management system for the registration offices. This is expected to benefit the general public and the business community in all regions and sectors as it would improve the current processes that have to be negotiated when undertaking a transaction. It is expected to: make the system more user-friendly; lead to greater use of information from the registration service; reduce the amount of time required for transactions, and lead to increased numbers of transactions registered. This, in turn, will contribute to federal economic development and greater tenure security for all levels of society.

In January 2005 registration of rights in immovable property became a federal activity, providing the opportunity to unify registration service standards and methods nationwide. Improved efficiency and better customer services will be partially achieved through the development of registration application software that will enable professional users to access information about registered properties 'on-line' and enable the registration of transactions to occur within a matter of days.

The project has been designed in four main components:

Component I. *Institutional development* includes activities to improve the quality of registration services to the public, improve the physical facilities of offices and to monitor the effectiveness of the project through monitoring the impact of the improved customer services.

Component II. *Informatics* includes development of the application software for registration, provision of the main hardware required and conversion of the data in existing systems into the new system.

Component III. *Improvement of the professional skills of registration service staff* is designed to ensure that all staff of the registration agency are provided with sufficient information and training to carry out their tasks in the new system.

Component IV. *Project Management* provides the logistical and management support to carry out the project.

**Component I. Institutional development.**

The objective of the institutional development component is to improve services provided to the population. The component has five subcomponents:

A. Improvement to the legislative framework.

The current registration procedures and associated laws and regulations have been criticized for being overly complicated and slow. Procedures that could readily be simplified include requirements to have a technical inventory of a building prior to every transaction and that each transaction requires multiple applications to register. The forms used for applications and for the deeds that transfer property could be improved in order to enable registration office staff to work more quickly and efficiently. There is also a need to develop legislation governing the electronic transfer of documents and digital signatures, registration of the common parts of group holdings, and the legality of electronic archives (and thus removal of the requirement to keep paper records). The Registration Service is particularly concerned

about the description of the property to be registered, and the information linkage with the Cadastre Agency, which is responsible for this activity, will provide an important communication link. On the basis of a review of existing registration procedures, an operational manual for the new unified Federal registration system will be drafted (under Component III). This will serve as the guidebook for staff of the registration system. It is understood that the operational manual will evolve over time with subsequent changes and improvements in the way in which the registration system operates.

The Federal Registration Service will also be ensuring that regionally developed legislation conforms to federal policy and laws and that the legislation governing illegal activity with respect to registration is clear. Other issues that may be covered under this sub-component through studies or the preparation of draft regulations or legislation include: instructions to notaries and other professional bodies involved with transactions; mortgaging; licensing professionals involved in property description or conveying; inheritance; housing; town and country planning; and other activities that relate to legal rights and the use of immovable property. While it is understood that only the first of these is the direct responsibility of the Federal Registration Service or the Ministry of Justice, they are directly related to the immovable property market. The Project can help to improve this legislative framework in coordination with the responsible institutions.

Specific outputs in the first three years of the project would include:

- Revisions to registration regulatory documents.
- The first draft of a registration procedure manual in the first year of the project and a second version by the end of the second year.
- A regulation on archiving and data storage.
- A regulation on the use of electronic documents and digital signatures.
- A regulation on data exchange and coordination with the Cadastre Agency.
- A regulation providing guidance on the infringement of registration legislation.

#### B. Client Services Development

The quality of services provided to the population within the registration service varies by region. Many offices have inadequate premises for dealing with the number of applicants they receive. In some cases there is a problem with the attitude of the reception clerks and in others the procedures involved require applicants to spend hours queuing or making repeated visits. It is not yet a common practice for notaries, lawyers and real estate agents to act for the parties involved in a transaction when registration is required. This is the most common practice in Western Europe.

The Government plans to establish administrative regulations providing service standards for operation of the registration system. The project will assist in this effort by hiring a consultant to evaluate how customer services can be improved and how the program of improvement should be monitored and managed. This would include the time taken to acquire information; the time taken for registration of a transaction; the procedure and expectations for dealing with complaints; facilities and acceptable queuing times at local offices; etc. Within this consultancy a proposal for improving staff incentives will be included. This should involve providing opportunities for training and upgrading of qualifications and procedures for paying bonuses. This is needed because the recent federalization of the Registration Service has resulted in a dramatic decrease in salaries for most staff.

Another consultancy to be financed will concentrate on developing a customer 'help' facility for each office. This will include a requirement for information and help for applicants at the office and a

complaints procedure that is not reliant on going through the local office. Equipment to implement an automated help system will be procured and installed in these offices to further enhance and standardize service levels.

Public perceptions of the quality of service provided by the FRS are directly affected by the 'first impression' generated when entering the public reception areas of FRS offices. A significant amount of works will be conducted to improve the conditions and facilities in these areas. These works will be 100% financed by the FRS and conducted over several years.

One of the Thematic Groups will be specifically responsible for this component of the project. This will include ensuring that the planned actions are carried out and monitoring the improvements (or lack thereof) in customer services. They will be responsible for coordinating with the regions to help develop plans for renovations and the purchase of furniture for customer reception areas. Some of the functions of monitoring implementation of this component at the regional level can be shared by the regional specialist to be hired by the PIU.

Outputs from this sub-component will include:

- A set of service standards accepted by the Registration Service and displayed at all offices.
- A 'help' facility providing advice on registration and a complaints facility.
- Adequate customer reception areas in the project regions.

#### C. Dissemination of Registration Service Information to the General Public

The public will be provided information about registration services in a number of ways. A WEB site providing information to customers and pages containing legislation, service standards and links to information and other WEB sites will be developed at the Federal level. The 'other sites' linked would be those providing information about the cadastre, building regulations, planning rules, professional organizations, legal aide, arbitration services and non-government organizations concerned with immovable property issues. Pages providing locally specific information for each of the SOFs will be accessible via links in the main WEB site. Regional offices will have access to these pages so that they can update and maintain them on a regular basis.

The project will also fund the development, printing and distribution of brochures and explanatory leaflets describing the registration process and related information that would help applicants. This might include leaflets explaining powers of attorney, rights of minors and spouses, inheritance rules and making wills, trusts, registering a small company, new buildings and planning applications, property taxes, etc. These leaflets and brochures will be made available at registration offices free of charge or for a nominal fee. Posters will also be printed and supplied to local offices and a company will be recruited at different phases of the project to manage media coverage promoting registration services.

The outputs for this subcomponent will be:

- Development and implementation of an integrated web portal;
- The supply of leaflets, brochures and posters at each local office involved in the phase;
- Use of mass media as appropriate to promote and inform about registration services.

#### D. Project Monitoring

The quality of customer services and the perception by the public on the quality of services will be assessed through independent institutional impact assessment surveys conducted by a consulting company. It is planned that several of these studies will be carried out. The first will be during the first year of the project and will serve to establish a baseline for measuring the impact of the project. Additional studies will be carried out during the project and each one will cover the new SOFs added to the project plus those from previous studies. At the end of the project a final study will be conducted.

The outputs from this subcomponent will be:

- The studies as described above;
- Annual reports describing the project progress with suitable statistical data;
- Decisions of the Registration Service on measures to improve the quality of services and the measures to implement them.

#### E. Document storage system

The legal requirement to store permanently all paper records and the large volume of documents that are submitted for registration has caused serious storage problems in the bigger offices. Most Western European countries have converted to electronic storage of documents and consigned paper to bulk underground storage (such as in disused mines) or destroyed the paper versions. It is prohibitively expensive to store vast amounts of paper purely because of the space it occupies. It is likely to take some years before new legislation permits disposal of paper documents, and even longer before the mass of stored documents can be converted to digital form for future reference. (Legislative change permitting this is catered for under component IA.) In order to cope with the current problem and develop a strategy for future paper and digital document storage, it is an urgent requirement to provide a convenient document storage and retrieval system.

It is planned to transfer the bulk of documents for each SOF to a suitable location and provide sufficient storage space using space-saving rolling shelves to store those documents not required on a regular basis at local offices. As a first step, premises will be prepared and modern mechanical archive systems will be installed in all 25 regions of the project within the first two years. During the next two years, these archive systems will be installed in other SOF throughout Russia.

Additionally, it is planned to pilot the concept of uniform large archive storage centers in five locations. These centers will pilot the development of processes to transfer existing paper documents into an electronic document format for long term storage and retrieval. Under the project, five centers will be designed, created and equipped. Since the existing facilities are not fit for installation of such automated equipment, these buildings will be remodeled based on international standards. It is planned to have the first center operational by the end of the third year of the project with subsequent centers coming online shortly thereafter. Additional work to transfer documents to an electronic format will be conducted under Component II.

The outputs from this subcomponent will be:

- Renovated premises and document storage systems for all 25 project SOFs by the end of the second year of the project.

- Renovated premises and document storage systems for other SOFs according to a schedule to be determined during the project.
- 5 large archive storage centers created and the concept of electronic document storage piloted in these centers.

## **Component II. Information and Communications Systems**

The objective of the ICT component is to design and implement an efficient and secure distributed information system, including a unified software application for registration of rights and a telecommunications subsystem for information access and exchange. In addition, this component will support migration of existing data from current disparate formats into the new unified system and will ensure the system is operational in all SOFs involved in the project.

### **A. Development of the standardized information system for regional and local offices.**

There are currently about 50 different registration software applications with varying degrees of sophistication in use around the country, most of them with different database systems and formats. Each SOF has been responsible for the decision of which software application to use and for its administration. This component is aimed at developing a distributed information system, which will standardize the registration software throughout the country as well as unify data formats and classifiers. This has the advantage of ensuring consistent service standards, procedures and legal security, while ensuring interoperability in the transfer of data and registration among different locations, and with third parties, including the Cadastre Agency. This unified system will also allow for the creation of aggregate statistical information at the regional and federal levels.

While the full functional requirements of the new information system have yet to be developed, it is planned that the new system will allow other agencies and the public in general to have open and transparent access over the Internet to the registration information, within the limitations foreseen by law. It is planned, for instance, to ensure that professional users have instant access via the Internet, perhaps with the use of user agreements. Special institutional users, such as the Cadastre Agency and Tax Authorities, would have rapid access through dedicated portals, as described below.

Under the automated system, registration should be completed within a couple of days for many transactions. It is expected that by the end of the project, an “e-filing” system will be introduced which would make it possible to electronically register applications through the Internet. This assumes that by the end of the project electronic signatures and electronic documents will have a sound legal basis and will be in widespread use. The system will be developed with this in mind.

It is planned to ensure that all registration data held at local offices is backed up and held in a unified SOF database at the regional center. An ‘exchange server’ will serve as external interface to this unified database at the regional center, and will be used as the source of information for queries and registration applications from other regions and external users. This server will also act as the main interface with other agencies requiring access to registration information, in particular the Cadastre Agency. At the Federal level, not only will it be possible to access any particular record located in any SOF, but also statistical information will be produced within a flexible environment, allowing for the creation of a wide range of reports for policy makers.

Multiple levels of security will be implemented, both for access to the databases as well as in the transit of information through the communications channels, to ensure the integrity, consistency and confidentiality of the information, as well as to ensure that adequate audit trails are kept.

The first stage in development requires a consultant to carry out an analysis of the existing information systems currently in use in the regional offices and to prepare the functional specifications for the new system. This is a major activity requiring a detailed analysis of the user requirements and re-engineering of the registration process in order to optimize the work flow process in an automated system. The analysis will have to take particular cognizance of the data identifying the object to be registered and the linkage with the Cadastre Agency, as the Cadastre Agency are responsible for the description and coding of the objects. A system of interoperable descriptors and classifiers will thus be developed in coordination with the Cadastre Agency. As part of this assignment, the consultant will also conduct a review of the systems available at the local level, and design a strategy for the conversion of data from the old systems to the new unified system, to be implemented in subcomponent B below.

The consultant recruited to prepare the functional specifications will need to have a number of experts available, including expertise in registration, system analysis, database design, communications technology, internet/ intranet application development, cadastre and marketing. The company will be required to have both international and national experience on similar system design. The consultant will also support the implementing agency in the process of selecting the contractor responsible for development of the main system, and will be responsible for monitoring and quality control of the latter's work during application development and in the first stages of implementation. In order to ensure that the main application development is not delayed, the bidding procedure for the company to develop the functional requirements will be completed prior to project effectiveness, allowing for contract award and signing soon after the project becomes effective.

It is estimated that the development of functional specifications will take four to six months. Depending on the findings of the existing systems' analysis and the functional specifications developed, it will be decided whether it is feasible to elaborate the standardized system as a modernization of one of the existing systems used in the regions or to develop a completely new system. Tendering for the main system development can commence thereafter. This contract would involve development of the system, testing, installation, training of staff as well as conversion of data from existing databases in each region into the new system. The equipment requirements for the system will be identified by the contractor, but the purchase of the equipment will be by separate tender. Based on international experience, it is likely that the system development contract will require at least two years for completion, unless customization of an existing or commercially available software package is considered a viable option as a result of the assessment conducted in developing the functional requirements.

In addition, there is an immediate need to obtain licenses for use of the current relational databases and it is planned to procure these during the first year of the project.

The outputs from this subcomponent will be:

- Licensed versions of relational database software.
- Analysis of the existing information systems, currently in use in the regional offices
- Functional specifications for the system to be prepared within the first year of project effectiveness.
- System tested and operational in four SOFs by the end of year three.
- Direct linkage possibilities with the Cadastre Agency and Tax Authorities through the developed system by the end of year four.
- Immediate access to registration information by professional users for SOFs involved in the project by the end of year 4.
- E-filing possible by the end of the project.

- Conversion of data from existing databases in each project region into the databases of the new standardized information system.
- Adequate hardware and software systems to operate as a platform for the new system.

B. Procurement and installation of telecommunications equipment

An analysis of requirements for an integrated telecommunications system as well as a design and technical specifications for a system will be conducted during the first year of the project. Subsequent procurement and installation of this equipment is planned to take place throughout the project regions over the subsequent three years.

The outputs for this subcomponent will be:

- Delivery and installation of telecommunications equipment suitable for operations of the Registration Service in 25 SOFs.

C. Procurement and installation of information technology equipment

The system architecture and equipment requirements for implementation of the system will be specified by a consultant in conjunction with the contractor conducting the system development. The funds will be dedicated to equipping the local offices with computers (either 'thin clients' or full PCs), software licenses, communications equipment, as well Local Area Networks in most cases.

The cost of specialized IT staff, system maintenance and administration, as well as regular communication service charges are a Government cost not included within the project budget.

The outputs for this subcomponent will be:

- Delivery and installation of equipment suitable for running the automated registration system implemented throughout all 25 project regions.

D. Conversion of data

Most SOFs already have databases with most of the data required for registration in their systems. However, there is a wide range of disparate systems in use, most of them with their own database system and structure at the level of the SOFs. While it is unlikely that full direct conversion of data to the unified system will be possible for all the different systems (some are not even based on modern database systems, but rather on text documents), the project will support the creation of tools to automate this process as much as possible. It is therefore expected that in a large proportion of cases, particularly for those systems based on modern relational database systems such as Oracle or SQL Server, among others, it will be possible to fully automate the conversion process. However, the legal verification and certification that the data in the new system is correct will be a lengthier process.

In further elaboration of the data conversion strategy mentioned above in subcomponent A, two alternative approaches will be evaluated. The first one would entail entrusting the creation of the automated data conversion tools and the data conversion itself to the same main contractor for the unified information system. The second approach would imply selecting local companies on a tender basis (one per SOF) to be responsible for converting data from existing systems into the new system, at least for those local systems with very specific proprietary technology. It is expected that the final approach will entail a combination of both depending on the specificity of the local systems currently in use.

The period required for data conversion will be dependant on the amount of automated data transfer that is possible and will vary by region. Preparatory work for data conversion can begin prior to finishing the system development. Downloading into the new system, however, requires the new system to be in place. The output from this subcomponent is to ensure data conversion is completed for offices involved in phases 1 and 2 (and preferably phase 3) by the end of the project. After the local staff has been trained in the new system and the data conversion has been concluded, the switch over to the new system should be done almost instantly, on a date known well in advance by all staff, and with a minimum or no time of parallel operation of both systems. This part of this component may be completed as part of the sub-component for development of the new standardized system.

Another important activity of this subcomponent is the conversion of documents into an electronic format for archival in the uniform archive storage centers. Significant work will be conducted to begin this process for the five storage centers to be created under Component I.

The outputs for this component will be:

- Conversion of data from existing databases in each project region into the databases of the new standardized information system.
- Piloting the transfer of approximately one-third of the paper documents in the regions of the uniform archive storage centers into an electronic document format.

### **Component III. Improvement of professional skills of registration service staff**

The changes envisaged under this project will have major implications for the staff of the Registration Service. Training programs are required to: (i) provide guidance on policies involving improvement of customer services and a focus on quality of service; (ii) ensure all staff understand and apply the new regulations and procedures being applied throughout the federation; (iii) understand and correctly utilize the registration system software; (iv) understand and correctly utilize WEB sites and technology; (v) appreciate the relationship between registration, economic development and the roles of other government agencies; and (vi) understand best practice for registration as used in other countries.

A training specialist within the PIU will be responsible for the logistical arrangements for this component and also for ensuring quality control of training service providers. In particular the training specialist will be required to get feedback from all participants in the overall training program and to ensure that views are taken into account to improve the quality of services provided in subsequent contracts.

Although training will be concentrated on those SOFs involved in the project, other regions should be included in the training programs as appropriate.

#### **A. Development of the overall training strategy**

During project preparation the main themes for training and the activities required have been identified. An analysis and detailed plan for training is now required to identify the specific courses, modules within courses and content of modules. The numbers of people that would benefit from such courses need to be identified taking into account the staff turnover, rates of retirement and the numbers of people that would be required to run the new registration system. The tender for the training strategy should commence before project effectiveness such that the signing of the contract and development of the strategy can commence shortly after the project becomes effective.

The output for this subcomponent will be:

- A detailed training strategy, program and schedule by the end of the first half year of the project.

#### B. Development and implementation of a remote training courses

The Registration Service has 25,000 employees and the only way to reach all of these staff at a reasonable cost will be through utilizing remote training courses. The course subject matter and contents will be developed under subcomponent A, but the actual courses themselves will be developed following tender for this purpose.

Courses will be required in: (i) the methodology for registration; (ii) legal issues when maintaining the register; (iii) using the standardized registration software; (iv) using electronic mail and internet systems and the requirement to ensure security of information; and (v) the electronic link with the Cadastre Agency. In addition, courses will probably be required to allow staff to 'upgrade' their qualifications and it will make sense to include other courses that provide background on other aspects of management of immovable property, such as understanding of property appraisal methods, planning and building requirements, map appreciation, and the importance of real estate to economic development.

The outputs for this subcomponent will be:

- The first series of courses within the first year of the training development contract; and
- An ongoing series of courses developed and in use throughout the project period.

#### C. Development and conducting training on specialized courses and themes

Training in Moscow and some regional centers will be provided to selected groups that will have the responsibility of transferring knowledge to others within their region. In principle this is a 'training of trainers' program, but the recipients of the training will act as mentors within their offices rather than as teachers conducting courses. They would be expected to host some seminars and training sessions as the needs arise.

The project preparation team has identified six themes for training:

- (i) new aspects of legal regulation and changes in legislation;
- (ii) changes in organizational frameworks for the Registration Service and the Cadastre Agency, plus the changes in methods and details when describing objects for registration;
- (iii) coordination and direct linkage with the Cadastre Agency;
- (iv) registration of rights using the newly developed technology;
- (v) technical maintenance of the system of registration of rights and the process of data updating with the Cadastre Agency; and
- (vi) operations and management of the new system of registration.

These themes are not exhaustive and more details of the courses and participants will be produced under subcomponent IIA, development of the unified information system. Initial estimates of cost are based on providing training to sixty participants in each of themes (i) to (iii); 100 participants in each of themes (iv) and (v); and 240 participants in theme (vi).

The outputs for this component will be:

- At least 2 courses involving at least 40 persons during the first year of the project;
- At least 7 courses involving at least 100 persons during the second year of the project;
- At least 7 courses involving at least 120 persons during the third year of the project;
- At least 7 courses involving at least 100 persons during the fourth year of the project;
- At least 10 courses involving at least 140 persons during the fifth year of the project;
- At least 9 courses involving at least 120 persons during the fifth year of the project;

#### D. Study tours and foreign training

Foreign training programs have been extremely effective for showing good practice and for keeping Russian experts up to date with the latest development in policies and technology. Under the LARIS Project it also provided an ongoing linkage with other countries in the area of cadastre for mutual benefit. The Registration Service have not benefited from this type of interaction to the same extent as the Cadastre Agency have. A new set of managers, specialists and policy makers would benefit from visiting other countries and participating in seminars and training events. The methods, laws and organizational structures for the registration of rights to immovable property is uniquely organized in countries of Europe, but there are some models that have great similarity to the model to be adopted in Russia. For example, the English and Dutch systems have millions of transactions annually, centralized administrations and standardized practice and software. Apart from study tours to these offices, seminars will be conducted along six main themes (which may change to some extent during the course of the project):

- (i) Structure, financing and maintenance of registration systems;
- (ii) Communications between government agencies dealing with registration and cadastre;
- (iii) Mortgage and banking systems and the relationship with registration activities;
- (iv) Remote training facilities and the process (and courses) developed and in use;
- (v) Digital exchange of documents, files and records, including the security of information, digital signatures and e-conveyancing; and
- (vi) Working with clients and marketing strategies.

The outputs from this subcomponent will be:

- Approximately 15 groups involved in study tours and foreign seminars with visits spread evenly throughout the first five years of the project.

#### E. Creation, printing and distribution of operational manuals

Legislative changes and operational manuals will be developed under Component 1A of the project. The training officer within the PIU will be keeping track of the products and will pay particular attention to the production of an operational manual for registration. The manual is a primary training aide and should be available to all staff of the registration service. As it would be an evolving document, it should be produced as a 'loose leaf' lockable binder such that sections of the manual can be replaced as and when needed. It is intended that these materials will be provided throughout the Federation and not restricted only to project regions.

The outputs from this subcomponent will be:

- A set of operational manuals delivered to every office of the Registration Service.
- Additional materials as required from time to time.

#### F. Conducting Seminars in Russia

It is planned to hold annual seminars for SOFs participating in the project to share experiences and information. Seminars will last from 2 to 3 days and be the forum in which staff of the offices, local authorities, Cadastre Agency staff, tax authority staff and other interested persons can discuss the project and the quality of services provided by the Registration Service.

#### G. Participation in International Conferences.

This sub-component will allow for participation in international conferences that are dealing with land administration and registration of rights in immovable property. There are a number of conferences held annually through organizations such as the UNECE, FIG, WPLA and various donor funded special conferences. Following a visit to a conference, the participants will be expected to provide a report on the main issues discussed and conclusions reached. This report will be distributed through the Registration Service WEB site.

### **Component IV. Project Management**

The project will be overseen by an inter-agency working group consisting of representatives from the Ministry of Finance, Ministry of Economic Development and Trade, Ministry of Justice, and Federal Registration Service. A Project Director within the Registration Service will be appointed who will be primarily responsible for project oversight and success. Thematic groups responsible for each component will be established from senior staff of the Registration Service and the SOF to ensure that the technical aspects of the project (including terms of reference, specifications and quality control of goods and services delivered) are to the standard expected by the Registration Service.

For evaluation of proposals for major contracts under the project, an evaluation committee will be established. This committee will invite additional specialists as needed to carry out their work. A separate financial management monitoring unit within the Registration Service will be established to provide independent checks on the procurements and expenditure as needed.

Additional details of the project implementation arrangements can be found in Annex 6.

#### A. The Project Implementation Unit (PIU)

A PIU has been selected that will be responsible for logistics, procurement and maintaining the financial accounts. The PIU will be staffed accordingly to handle these functions, as well as to handle translation of documents and managing the logistical arrangements associated with the programs of training.

It is preferable that the PIU be located at the premises of the Federal Registration Service. Experience has shown that this is by far the best model for insuring coordination between a PIU and the implementing agency. The PIU will prepare quarterly financial reports for the IBRD and annual progress reports for the Government and IBRD.

Monitoring of results indicators for the project, and appropriate use of the information provided by monitoring, are an important element of successful project implementation. The monitoring program will include both quantitative and qualitative indicators. The PIU will receive regular reports and statistical information from the regions in order to assess whether the project is having the desired effect in terms of: numbers of transactions; the time period it takes to register; the output per staff member; information requests; etc. They will develop a reporting format that will include this information and deliver the results to the Registration Service and the IBRD on an annual basis.

The PIU will also be responsible to arrange for an annual financial audit of the project conducted by an accredited auditing firm acceptable to the IBRD.

**B. Short term consultants**

Experience has shown that during implementation of many projects, needs arise for short term consultancies to provide assistance with specific project related tasks. Examples of this might include providing special expertise on a specific topic, additional procurement or translation skills during periods of peak project activity or assistance in preparation of reports or other documentation.

**Annex 5: Project Costs**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

	Component	Loan Funds	Russian Co-financing	Total Costs
<b>I.</b>	<b>Institutional Development</b>	<b><u>17 799</u></b>	<b><u>40 621</u></b>	<b><u>58 421</u></b>
	A. – Improvement to Legislation for the Registration Service	984	1 066	2 050
	B. – Client Services Development	362	11 731	12 093
	C. – Dissemination of Information to the General Public	967	1 047	2 014
	D. – Project Monitoring	366	397	764
	E. – Document Storage System	15 120	26 380	41 500
<b>II.</b>	<b>Information and Communications Systems</b>	<b><u>27 394</u></b>	<b><u>29 677</u></b>	<b><u>57 071</u></b>
	A. - Development of Standardized Information System for Regional and Local Offices	14 640	15 860	30 500
	B. – Telecommunications	7 440	8 060	15 500
	C. – IT Equipment	3 552	3 848	7 400
	D. – Conversion of data	1 762	1 909	3 671
<b>III.</b>	<b>Improvement of Professional Skills</b>	<b><u>1 155</u></b>	<b><u>1 252</u></b>	<b><u>2 407</u></b>
<b>IV.</b>	<b>Project Management</b>	<b><u>3 651</u></b>	<b><u>998</u></b>	<b><u>4 649</u></b>
	A. - Project Implementation Unit	3 439	768	4 207
	B. - Short term consultants	213	230	443
	<b>Subtotal for Project activities</b>	<b><u>50 000</u></b>	<b><u>72 548</u></b>	<b><u>122 548</u></b>
	Front End Fee		500	500
	<b>Project Total</b>	<b><u>50 000</u></b>	<b><u>73 048</u></b>	<b><u>123 048</u></b>

## **Annex 6: Implementation Arrangements**

### **THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

The main implementing entity for the Project is the Federal Registration Service (FRS). The FRS was established in 2004 as part of the Government restructuring initiated by a Presidential Decree in March of that year, and is an entity of the Ministry of Justice. One of the primary objectives in establishing the FRS is to establish a unified Federal system of registration of rights. Prior to the Government restructuring of 2004, each Subject of the Federation was responsible for administering its own registration system, consistent with the Law on Registration originally adopted in 1997 and with other Federal normative documents. The Ministry of Justice had a small department for registration of rights that was responsible for ensuring that the basic principles established at the Federal level were adhered to in the regions.

Federalization of the system is intended to allow for setting and enforcing service standards throughout the country and to eventually allow for 'ex-territorial' registration of rights. That is, for registration of rights in a property from any location in the country. In addition to the registration of rights in immovable property, the FRS is also responsible for registration of other rights, such as legal entities, etc. The FRS will have 143 staff when all positions are filled. Of these [40] will be in the Department for Registration of rights in immovable property.

The FRS has 77 Territorial Offices (TOs). This is slightly less than the number of Subjects of the Federation – 89 – due to amalgamation of some SOFs into single registration territories. There are a total of 1,300 registration offices at the local (municipal) level. Total staffing for the territorial and local offices is more than 25,000. The FRS is funded from the Federal budget. The FRS is responsible for administrative and supervisory functions and has the legal authority to apply the functions defined in the Federal Law *On State Registration of Rights and Transactions in Immovable Property*.

#### **Project Implementation Arrangements**

*An Inter-Agency Working Group* will be established with representation from the Ministry of Justice, Ministry of Finance, Ministry of Economic Development and Trade, and the Federal Registration Service to oversee key project issues and processes. Primary functions of the Inter-Agency Working Group will include: (a) to provide overall oversight on project implementation and ensure coordination among the relevant government agencies in providing guidance on key implementation issues (b) to review the overall procurement plan; (c) to review the annual work plan and budget, along with brief descriptions of all contracts; (d) to receive and review the project reports (e) to seek clarifications on various issues and instructs on needed actions; (f) to review and approve the project's Operations Manual; (g) to review proposals on extending the project implementation period and reducing or reallocating the Loan funds. The Inter-Agency Working Group will be chaired by the Deputy Minister of Justice.

*The Project Director* appointed by the FRS will be responsible for the day-to-day implementation of the Project and will have the following primary functions: (a) coordination of the work of the Federal Registration Service with other agencies taking part in the project; (b) overall coordination of FRS divisions on federal and regional levels involved in the Project; (c) approval of plans for project activities; (d) review of Project procurement plans' and project budgets' preparation; (e) approval of contracts for goods and services prepared by the PIU and reviewed by the IBRD; (f) approval of consultancy TORs, technical specifications for procurement of goods and works as well as short lists of suppliers for contracts above \$1 mln.; (g) approval of bidding documents; (h) approval of consultants' final reports on consultancy contracts; (i) alerting the Inter-Agency Working Group to problems associated with project

implementation and preparing documents for presentation to the Inter-Agency Working Group. To coordinate the project implementation within FRS, with regional branches, and ensure interactions between the PIU, Thematic Groups, and other organizations, a group of technical experts will be hired to assist the Project Director as part of the FRS staff and consultants working on implementation of the associated Federal Program.

*Three Thematic Groups* will be created within FRS to provide technical guidance for implementation of corresponding components 1, 2, 3 of the Project. The Thematic Groups membership will be approved by the FRS. Staff of the Thematic Groups will consist of technical specialists in respective areas from the FRS as well as other federal agencies and representatives of the regions. These staff will not be working full time on the Project, but rather will combine their project functions with other ongoing work. The primary functions of the thematic groups will be: (a) to prepare the Project procurement plan, plan of activities, Project budget, TORs for consultancy contracts, technical specifications for goods and works procurement, short lists of suppliers for respective components; (b) to approve the consultancy TORs, technical specifications for procurement of goods and works as well as short lists of suppliers for contracts under \$1 mln.; (c) to review the Bidding Documents for each procurement package; (d) to provide advice to the PIU on technical matters; (e) to provide overall technical oversight on component implementation.

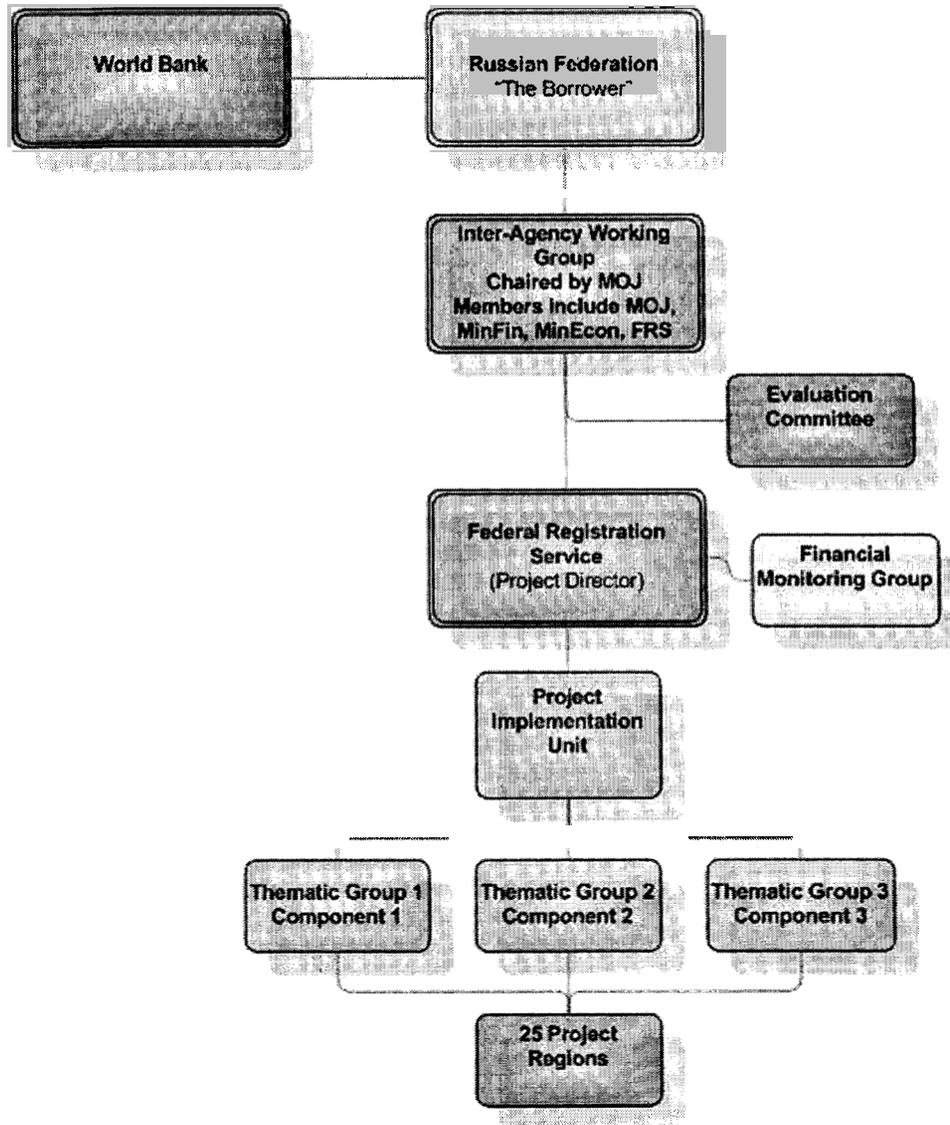
*Evaluation Committees* will be established for the Project. Technical specialists will be included in the Committee for the evaluation of specific packages depending on technical content. The primary functions of the Evaluation Committees will be: (a) to evaluate the bids and proposals in procurement of goods, works, technical services and consultants; (b) to seek clarification on procurement process from the FRS, Thematic Groups, PIU and IBRD if needed; (c) submit to the FRS the recommendations for contract award.

*The Finance and Economic Department* of the FRS will provide oversight of work of the PIU in the area of financial management and will ensure replenishment of counterpart financing on the basis of applications for such from the PIU. The staff of the Finance and Economic Department of the FRS will handle these functions in addition to their current responsibilities.

*The Foundation for Enterprise Restructuring and Financial Institutions Development (FER)*, a non-commercial legal entity, has been selected on a competitive basis to act as *the PIU*. The FER was established in 1996, and an extensive experience gained through managing several World Bank supported projects in Russia. Within the framework of the Registration Project, the FER will report to the Project Director. The functions of the FER will include: (a) to provide overall coordination and day to day management of the project; (b) to prepare bidding documents and to submit them to the FRS for approval (c) to ensure that procurement procedures and contracts implementation comply with World Bank guidelines and the Project's objectives and assist the Evaluation Committee with questions related to the procurement process; (d) to sign consultancy contracts resulting from competitive selection process and on the basis of TORs approved by the FRS and agreed upon with the Bank; (e) to open and manage the Special Account as well as the separate project Co-Financing Account, (f) to handle other day-to-day activities in procurement, financial accounting and reporting areas, preparation of withdrawal applications for the review by FRS (g) to carry out payments under the contracts within the project and to arrange for the Project audits; (h) to work with regions on collecting relevant information; (i) to conduct Project Implementation Monitoring and Evaluation; (j) to prepare needed financial and reports for the IBRD, the FRS and the Ministry of Finance on project implementation.

The Operational Manual, acceptable to the Bank, has been prepared and contains a detailed description of implementation arrangements.

## Project Management Structure



### **Coordination with the Cadastre Development Project**

The primary point of tangency between the two projects is the introduction of the system of information exchange. Agreement will need to be reached on information classifiers and data base linkages, and then in development and installation of the applied software. There will also be linkage in the legal and regulatory sub-components of each project. There will need to be a shared understanding of how key issues are being addressed and the terms of reference for the legal assignments of the two projects appropriately coordinated. Both the Federal Registration Service and the Cadastre Agency will need to share information on these points on a regular basis.

Issues concerning appropriate coordination between the Registration Project and the Cadastre Development Project will be raised in the context of the existing Government-IBRD Joint Working Group.

For effective linkage between the system of registration of rights and the cadastre, the regions included in the two projects need to overlap. While there will not likely be complete overlap, it is intended that more than half of the regions included in either of the projects will be included in both.

**Annex 7: Financial Management and Disbursement Arrangements**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

***Country Issues.***

The last CFAA conducted in the Russian Federation was in January 2001. Pending the graduation of the Government's financial management and procurement capacity and infrastructure to a level of performance that would allow the World Bank to rely on those systems, the CFAA recommended that fiduciary functions (disbursement, procurement, accounting and reporting, and operational reviews) continue to be outsourced to specialized agencies. Such agencies present the advantage of using skilled consultants and reliable, suitable, and stand-alone computerized information systems.

Based on the Bank's current audit policy, the CFAA recommends maintaining current arrangements for the annual audit of IBRD-assisted projects, which involve audit by private sector audit firms competitively appointed among those pre-selected by the IBRD, in consultation with the MOF. In addition, the work performed by the Accounts Chamber should also be reviewed by the IBRD on a regular basis and taken into consideration in project preparation and supervision.

***Risk Analysis.***

The risk analysis is presented in a table below:

	<b>Risk Rating</b>	<b>Risk Mitigation Measures</b>	<b>Conditions of Negotiations, Board or Effectiveness (Y/N)</b>
<b>1. Inherent Risk</b>			
Sector inherent risk	M	Sector risks are modest and mitigated by the previous experience with Housing and LARIS projects.	N
Project inherent risk	M	Project risks are modest, since the project has a straightforward design, is not a SWAp, and is relatively small. The risks related to procurement of large amounts of equipment in regions will be mitigated by including a provision in the audit TOR for assuring the availability of the equipment.	N
Country inherent risk	M	Assured through the (i) use of existing PIU and (ii) use of independent auditors acceptable to the Bank	N
<b><i>Overall Inherent Risk</i></b>	<b><i>M</i></b>		
<b>2. Control Risk</b>			
1. Budgeting	M		N
2. Funds Flow	M		N
3. Accounting	M		N
4. Internal Control	M		N
5. Audit	L		N
6. Financial Reporting	L		N
<b><i>Overall Control Risk</i></b>	<b><i>M</i></b>		

Risk ratings: N – Low or Negligible; M – Modest; S – Substantial; H - High

### ***Implementation Arrangements.***

The FER has been chosen as the project PIU under implementation arrangements as described in Annex 6. The FER will be required to enter into an agency agreement with the MOF and the MOJ, clarifying these organizations' relative roles and responsibilities in project implementation. *Signing of this Agency Agreement, and adequate staffing of the PIU, with resources and terms of reference satisfactory to the Bank will be a condition of effectiveness.*

The FER has acted as PIU for a number of other IBRD projects, and is familiar with the IBRD's FMS requirements and has demonstrated a capacity to function effectively with unqualified audit reports and positive management letters regarding their operation. The FER has demonstrated sound internal control systems.

The PIU will be responsible for financial management and procurement functions. This will include obtaining necessary Government and IBRD clearances for specific project implementation steps, preparation of Financial Management Reports (FMRs), maintenance of the project procurement plan, and execution of annual project budgets that have been approved by Government and reviewed by the IBRD.

### ***Funds Flow.***

IBRD funds will be transferred by direct payment and Special Account (SA) replenishments. Letters of credit will also be used. There will be no FMR-based disbursements. The SA will be opened in a commercial bank acceptable to the IBRD.

Federal financing will be provided from the Budget through the line item allocation for the Project. A Project Account in rubles will be opened in a commercial bank to channel funds to the Project.

The loan has a high counterpart funding percentage, which reflects the new modality of doing business in Russia. Based on the experience, there is no risk regarding the non-provision or untimely provision of Government funds.

### ***Staffing***

FER financial department staffing is described in the FER Operating Manual. At present, FER is staffed with necessary financial specialists with adequate qualifications and prior experience of working with IBRD projects.

FER will put emphasis on all its financial management specialists to participate regularly in various accounting seminars and trainings.

### ***Accounting Policies and Procedures***

The financial records and accounts shall be maintained in accordance with principles that respect International Accounting Standards as issued by the International Accounting Standards Committee (IASC). FER maintains its accounting books and records as well as accounting books and records for the IBRD-financed Projects it implements using a computerized accounting system. It allows to prepare the records in USD as well as RUR on the accruals basis in accordance with IFRS and Russian statutory reporting rules (for FER) and on cash basis (for IBRD-financed projects). FER has a clear formal set of appropriate accounting procedures and internal controls including authorization and segregation of duties, described in the accounting manual, which has been reviewed by the IBRD and found acceptable.

### ***Internal Audit.***

No internal audit function.

### ***External Audit.***

The audit of the Registration Project will be conducted by independent private auditors acceptable to the IBRD, and procured by FER in accordance with the IBRD procurement guidelines, utilizing the right of prior review by the IBRD. The independent auditor selected to audit the Project must be a member of a professional accounting body that is a member of the International Federation of Accountants (IFAC) and be acceptable to the IBRD. The audit will be conducted in accordance with International Standards on Auditing as issued by IFAC and in accordance with terms of reference acceptable to IBRD.

The audited financial statements will be sent to the IBRD within six (6) months of the end of the Government's fiscal year. The cost of the audit will be financed from the proceeds of the loan.

The project will involve a significant amount of equipment procurement for Registration Service offices spread over a significant number of locations in the Russian Federation. Therefore, an annual project audit will include checks on a sample basis to ensure that the equipment has been installed and is in operation in its intended facilities.

It is expected that FER will have its entity financial statements prepared in accordance with international financial reporting standards on an annual basis. These financial statements will be audited by the same auditor which will be auditing the Project financial statements, in accordance with International Standards of Audit, and on standard Terms of Reference acceptable to the IBRD. The audited entity financial statements will have to be submitted to the IBRD within 6 months after the end of the reporting year, together with the Project audited financial statements. The cost of such audits will be partially financed from the Loan, as FER implements other IBRD-financed projects.

The first and final audits can cover up to 18 months. The contract for the audit awarded during the first year of project implementation and thereafter extended from year-to-year with the same auditor, subject to satisfactory performance. The following chart identifies the audit reports that will be required to be submitted by the project implementation agency together with the due date for submission.

<i>Audit Report</i>	<i>Due Date</i>
Implementing Entity	Within six months of the end of each fiscal reporting period; the first and the final audit can cover the period up to 18 months
Project FMRs	Within 45 days after the end of every calendar quarter throughout the life of the Project

FER and Project statutory reporting and operating activities are also expected to be audited by Accounts Chamber, KRU (regional audit body) and the tax authorities.

***Reporting and Monitoring.***

FER will be responsible for producing all financial reports for the IBRD. FER has demonstrated in other projects that it is able to report on project expenditures accurately and on time.

Project management-oriented Financial Management Reports (FMRs) will be used for project monitoring and supervision. FER will produce a full set of FMRs every quarter throughout the life of the project. Draft formats of these FMRs will be agreed during negotiations.

***Information Systems.***

FER uses the accounting software which allows it to: (i) to keep the statutory and project records both in RR and in USD; (ii) to produce both statutory and IFRS reports for FER, and (iii) to produce financial reports for the project in accordance with IBRD guidelines.

***Impact of Procurement Arrangements.***

The project will involve a significant amount of equipment procurement for Registration Service offices spread over a significant amount of locations in the Russian Federation, an annual project audit will include checks on a sample basis to ensure that the equipment has been installed and in operation in its intended facilities.

***Disbursement Arrangements.***

FER will be solely responsible for all disbursement aspects, including operation of the Special Account, preparation and submission to the IBRD of claims for Special Account replenishment, and claims for disbursements of loan proceeds directly from the IBRD. Supporting documentation for SOEs, including completion reports and certificates, will be retained by FER and made available to the IBRD during project supervision. FER will also be solely responsible for operation of the Project Account in Rubles.

***Use of Statements of Expenditures (SOEs)***

SOEs will be used for: (a) goods costing less than \$300,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (e) all training related expenses; and (f) incremental operating costs, under such terms and conditions as the IBRD shall specify to the Borrower.

For these SOE expenditures, detailed supporting documents evidencing payments to consultants and suppliers will be kept at FER. These documents will be made available for required audits and to IBRD supervision missions upon request.

***Special Account***

A Special Account in US dollars will be opened by the Borrower in a commercial bank acceptable to the IBRD, and managed by FER. The Authorized Allocation will be equivalent to US\$ 2.0 million. However, the initial allocation will be US\$ 0.5 million and will be increased to the Authorized Allocation amount once cumulative disbursements from the Loan Account have reached US\$ 3 million. Payments made from the Special Account are to cover eligible expenditures under the Project. Applications for replenishment will be supported by the necessary documentation, the Special Account bank statement, and a reconciliation of the bank statement.

***Allocation of Loan Proceeds***

The Project will begin implementation in CY 2006 with an expected disbursement period of six years. Disbursement categories and percentages to be financed under each category are presented in Table 7-1.

Table 7-1. Allocation of Loan Proceeds

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
1. Goods , works, services and training	47.27	48%
2. Operating costs	2.73	100%
3. Unallocated	0	
Front-end fee	0	
<b>TOTAL</b>	50.0	

***Supervision Plan.***

During project implementation, the IBRD will supervise the project's financial management arrangements in two main ways: (i) review on a quarterly basis the financial part of project's FMRs as well as the annual project's audited financial statements and auditor's management letter; and (ii) during the IBRD's supervision missions, review the project's financial management and disbursement arrangements to ensure compliance with the IBRD's minimum requirements. An IBRD accredited Moscow-based Financial Management Specialist will carry out a financial management supervision of the project at least once per year.

**Annex 8: Procurement Arrangements**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

**A. General**

Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the IBRD in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

**Procurement of Goods and Works:** Goods procured under this project would include ICT hardware and software, archival equipment and office furniture. Works procured under this project would include construction of uniform archive storage center and other related works. Goods and equipment estimated to cost US\$400,000 equivalent and more per contract, works and services (other than consultants' services) estimated to cost US\$2,000,000 equivalent and more per contract will be procured through ICB. Goods estimated to cost less than US\$400,000 equivalent per contract, Computer equipment, Software, Works and services (other than consultants' services) estimated to cost less than US\$2,000,000 equivalent per contract will be procured through NCB and the additional provisions set forth in the Annex to Schedule 4 of Loan Agreement. Goods estimated to cost less than US\$100,000 equivalent per contract may be procured through shopping. DC method will be used for the procurement of goods which the IBRD agrees meet the requirements for Direct Contracting. Prior- and post-review contract will be indicated in the procurement plan.

**Procurement of non-consulting services:** Technical services will be procured for the conversion of documents into electronic format for archival in storage centers as well as for the purposes of publication of books, manuals, posters, and pamphlets. The procurement will be done using the IBRD's SBD or National SBD agreed with or satisfactory to the IBRD. Methods and applicable threshold are the same as per procurement of goods. Prior- and post-review contract will be indicated in the procurement plan.

**Training:** Training activities which will include study tours, conducting seminars, workshops and participation in international conferences on the subjects related to the project, will be procured through procedures agreed with or satisfactory to the IBRD (Agreed Procedures). When appropriate, a firm will be selected to provide services in respect of organization of training upon comparison of at least three responsive price quotations presented by suitably qualified local service providers under agreed procedures. Individual contract values will normally not exceed USD 100,000 equivalent. Contracts estimated to cost more than USD 100,000 will be advertised nationally or internationally and bids for contracts will be invited. All contracts will be subject to prior review, it will be indicated in the procurement plan.

**Selection of Consultants:** Consulting services will be utilized for: (a) preparation of draft legislative and normative documents associated with operation of the System of State Registration of Rights in Immovable Property and its interaction with other organizations; (b) analysis of service standards for the registration system; (c) WEB site development for the Registration Service; (d) project monitoring (social assessments); (e) development of functional requirements for the unified information system; (f) development of the document storage system; (f) development of the training strategy and training

programs; (g) preparation of manuals, books, and pamphlets to be financed by the Project; and (h) project financial audit; and other uses. Consulting services under the project will be procured using the standard RFP and contract formats. Short lists composed entirely of national consultants for services estimated to cost less than US\$200,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines

**Operating Costs:** Operating costs of the PIU will be financed by the Project including salaries, training courses for PIU staff, rent, communication expenses, travel expenses, utilities and security, and office supplies. The operating costs would be disbursed on the basis of annual budgets to be agreed with the IBRD.

## **B. Assessment of the agency's capacity to implement procurement**

Procurement activities will be carried out by the Foundation for Enterprise Restructuring and Financial Institutions Development (FER), which has been selected as the Project Implementation Unit.

An assessment of the capacity of the PIU to implement procurement actions for the project has been carried out. The assessment found that FER has sufficient experience in procurement cycle management. FER maintains up to date records according to the requirements of their regulations approved by the general director. All documents are available and are kept on the bookshelves in files with clear indication and in chronological order.

The FER has already completed implementation of the Russian Enterprise Support Project and the Enterprise Housing Divestiture Project. Currently this PIU is implementing the following Russian Projects: Financial Institutions Development (closing date December 31, 2005), Treasury Development (closing date December 31, 2007), Regional Fiscal Technical Assistance (closing date December 31, 2008), Northern Restructuring (closing date December 31, 2006), and Sustainable Forestry Pilot (closing date September 30, 2007).

The procurement unit at FER consists of 4 specialists. All of them were hired on a competitive basis. The procurement staff has sufficient qualification in international procurement issues, procurement of goods (including complex IT equipment) and services under IBRD guidelines. After the loan becomes effective, in 2006 FER will hire another procurement specialist for the PIU. Nevertheless, all PIU staff responsible for procurement should be given intensive training in procurement of goods, including procurement of Information Systems, and procurement of consulting services.

The key issues and risks concerning procurement for implementation of the project have been identified and include the challenges of covering 25 regional offices and the associated local registration offices under the Project, the procurement of ICT systems, which has proven to be a challenge for other IBRD financed projects in Russia, and the large amount of work anticipated for legal and regulatory reform. To deal with these issues, certain aspects of the Project have been broken into implementation phases that will allow for piloting on a relatively small scale, followed by two roll-out phases for additional regions. The ICT procurements for the project will be broken into constituent parts to the extent possible to minimize the complexity of formulation of the technical specifications and in conducting evaluation of the proposals received.

Still the general level of risk connected with procurement activity in Russia is considered to be high. Accordingly, the overall project risk for procurement is also expected to be high. Due to the nature of the procurement foreseen for the project a high degree of supervision and cooperation with the Bank accredited procurement staff is foreseen

### **C. Procurement Plan**

The Borrower has developed a procurement plan for the first 18 months of project implementation which provides the basis for the procurement methods. This plan will be available at the Registration Service and the PIU. Parts of it will also be available in the project's database and in the IBRD's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

### **D. Frequency of Procurement Supervision**

In addition to the prior review supervision to be carried out from IBRD offices, the PIU will be visited on a regular basis (no less than twice per year) by the Project Procurement Accredited Staff based in the World Bank's Moscow Resident Mission.

### **E. Details of the Procurement Arrangements Involving International Competition**

#### **1. Goods, Works, and Non Consulting Services**

(a) List of contract packages to be procured following ICB and direct contracting:

55  
100

Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by IBRD (Prior / Post)	Expected Bid-Opening Date	Comments
7-RS-IIA-ICB	Procurement of licenses for database software	\$3,600,000	ICB			Prior	Oct 06	
10-RS-IE-ICB	Procurement and installation of modern mechanical archive systems – Phase 1	\$8,000,000	ICB			Prior	Nov 06	
24-RS-IE-ICB	Procurement and installation of modern mechanical archive systems – Phase 2	\$8,000,000	ICB			Prior	Sep 07	
29-RS-IIB-ICB	System design and development of pilot system for an integrated telecommunications system	\$15,300,000	ICB			Prior	Jul 07	
30-RS-IIC-ICB	Procurement of general operational hardware, software and equipment for regional and local offices	\$6,800,000	ICB			Prior	Dec 07	
34-RS-IE-ICB	Procurement and installation of hardware, software and equipment for the uniform archive storage centers	\$7,500,000	ICB			Prior	May 08	
35-RS-IB-ICB	Conversion of documents into electronic format for archival in the uniform archive storage centers	\$3,670,877	ICB			Prior	Jun 08	
41-RS-IIA-ICB	Procurement and installation of server hardware, software and equipment for regional and local offices	\$10,500,000	ICB			Prior	Apr 08	

(b) ICB contracts estimated to cost above US\$1,000,000 equivalent per contract will be subject to prior review by the IBRD.

## 2. Consulting Services

(a) List of consulting assignments with short-list of international firms.

Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by IBRD (Prior / Post)	Expected Proposals Submission Date	Comments
2-RS-IA-QCBS	Analysis and preparation of proposals for normative legal acts related to granting legal status to electronic documents	\$600,000	QCBS	Prior	Dec-06	
5-RS-IIA-QCBS	Analysis of existing operational systems and development of functional requirements for a standardized information system and quality control of system development, including development and quality control of requirements for conversion of existing data.	\$1,000,000	QCBS	Prior	Nov-06	
6-RS-IE-QCBS	Design of uniform archive storage centers	\$1,000,000	QCBS	Prior	Nov-06	
14-RS-IA-QCBS	Development of documents regarding issues of registration of different types of real estate objects	\$600,000	QCBS	Prior	Dec-06	
16-RS-IIC-QCBS	Analysis of requirements, system design and development of technical specifications for engineering support systems of FRS offices	\$600,000	QCBS	Prior	Jan-07	
19-RS-IIIC-QCBS	Development and conducting of training on specialized courses and themes	\$489,450	QCBS	Prior	Jul-07	
21-RS-IIIB-QCBS	Development and implementation of distance learning courses	\$446,000	QCBS	Prior	Aug-07	
23-RS-IIA-QCBS	Development, testing, implementation, training of a standardized information system and conversion of data from existing systems into the standardized information system	\$15,400,000	QCBS	Prior	Sep 07	
48-RS-IC-QCBS	Institutional impact assessment 2	\$300,000	QCBS	Prior	Aug-08	
49-RS-ID-QCBS	Institutional impact assessment 3	\$363,500	QCBS	Prior	Oct-10	

(b) Consultancy services estimated to cost above US\$250,000 equivalent per contract will be subject to prior review by the IBRD.

## Annex 9: Economic and Financial Analysis

### THE RUSSIAN FEDERATION: REGISTRATION PROJECT

The Government of the Russian Federation is in the process of developing a package of legal and regulatory documents, as well as amendments to existing documents, that will allow for expansion of markets in land and real estate and the more effective utilization of land and real estate assets. Major parts of that program include: (i) unification of the previous land and buildings (gradostroitel'nyy) cadastres into a unified State Cadastre of Immovable Property; (ii) improved functioning of the registration system through establishment of service standards and unification of procedures across the country; (iii) improved information flows from the registration system to other organizations, including the Cadastre and the tax authorities; (iv) simplification and rationalization of steps associated with conducting transactions in immovable property; and (v) more effective developmental control policies and administration of immovable property assets.

The Project will cover an important part of this overall program, in conjunction with the Cadastre Development Project which will be implemented over the same time period, and will result in a diverse set of economic and financial benefits. The main benefits of a well functioning system for verifying rights in immovable property include the following:

- increased security of tenure, which can increase incentives to invest in land and real estate;
- increased access to credit through utilization of immovable property as collateral;
- improved functioning of sales and lease markets for land and real estate; and
- improved information base for the fiscal cadastre

While it is not possible to calculate a full economic rate of return, it is anticipated that both the economic and financial benefits of the Project will significantly outweigh the costs as indicated below.

#### **I. Among the direct project results will be the following:**

##### Improved efficiency of the Registration System

By introducing measures to make registration procedures more efficient, providing an ICT system to link the offices of the Registration Service more effectively with one another, and providing better information to the public about registration, the Project will result in direct improvements in how the registration system operates in Russia. A goal of the Project is to reduce the time required for registration transactions from 30 days to 15 days. The number of transactions has reached 15 million in 2004. A time savings of 15 days per transaction results in a total time savings for the country of almost 7.5 million months per year. With a modest assumption of the value of time for this operation at only \$10 per day, the resulting economic benefit to the country is \$75 million per year. Over time, the share of secondary transactions will continue to grow as more and more properties are entered in the registry and immovable property markets continue to develop, thereby further increasing the economic benefits of the Project.

##### Improved access to information in the registry

The Project will allow for broader and timelier access to registration information for other organizations, and to customers of the system in general. The Project will establish more reliable information linkages with the cadastre offices, tax authorities, municipal government, and others involved in immovable property markets. The economic benefits of this are particularly diverse and difficult to measure, yet are likely to be substantial. One indication of the improved access to information is the reduced time required to respond to information requests. For clients of the registration system, requests for information are currently to be handled in 7 days. A goal of the Project is to reduce this to 1 day. Given the current level of information requests received by the system annually of 10 million, and with the same

value on time saved of just \$10 per month and 35 percent coverage of the country by the Project results in an economic benefit from the Project of \$5-6 million.

## **II. The broader economic outcomes of the Project will include:**

### Increase in transactions

The Project will contribute to the broader Government goal of stimulating the development of markets in immovable property. This will come through adoption of a broad set of legal and regulatory reform, of which this Project and the Cadastre Development Project represent an important part. The Registration Project will contribute to an increase in transactions by reducing the time and associated cost of registering rights, by improving the overall quality of services provided to clients (particularly in those regions where the quality of service has been lagging), and by making possible the registration of rights in any property from any other location in the country. Furthermore, by improving the database for implementation of an immovable property tax (see fiscal impacts below), the Project will provide for a viable alternative revenue stream for municipal government that will allow for opening up real estate markets in urban areas. Currently, municipal governments are reluctant to privatize land under commercial and industrial properties, because they are dependent on the rental payments received for leasing this municipally owned land out. The lack of clarity in ownership rights to the land, however, is reducing incentives to invest in business and is making access to land for business development purposes unreasonably difficult. By assisting in providing an adequate information base for an immovable property tax, land can move out of municipal ownership and into private markets and the level and efficiency of transactions increased.

### Reducing costs of secondary transactions

The legal and regulatory work under the Project will also allow for the elimination of obligatory technical inventories (survey) of apartments and buildings for secondary transactions. Decisions concerning surveys for secondary transactions (where property surveys already exist) should be made by the parties to the transaction themselves. The requirement that citizens must pay for (duplicate) surveys for properties involved in secondary transactions, which can only be provided by a BTI, is outdated. With technical inventory costs in the range of US\$20 to US\$50 for each transaction and approximately 1.5 million secondary transactions per year, elimination of this step alone could save more than US \$50 million per year.

## **III. Fiscal Impacts:**

The Project will have a positive fiscal impact, by improving the information base on rights holders in immovable property and making that information more readily available to the tax authorities. The improvement in information under this Project will combine with similar impacts under the Cadastre Project, where data identifying immovable property objects will be significantly improved, and will result in a substantially improved data base for implementation of an immovable property tax. While it is difficult to estimate the impact of the Project on future tax collections, even a modest impact will have substantial positive fiscal impacts. Currently, land tax payments amount to 45 billion rubles per year (approximately \$1.5 billion). Taxes on other immovable property have amounted to 100 billion rubles (\$3.4 billion). Assuming that through the improved availability of information on rights holders that is provided to the tax authorities, these tax collections increase by only 10 percent, then the Project will result in additional tax payments of approximately \$170 million per year once the improved information system has been rolled out. This assumes 35 percent coverage of all properties in the country by the Project and no changes in current tax rates and valuation methodologies.

## **Annex 10: Safeguard Policy Issues**

### **THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

#### **A. Environmental Aspects**

The Registration Project is designed to simplify and improve the registration of rights to immovable property; improve the data flow from the register to users with a view to accelerate property market development, improve the quality of services, and strengthen information/communication linkages with other agencies engaged in real estate operations.

As indicated below, the project has been designed to promote sound environmental management and mitigate potentially negative effects arising from project activities.

#### **Environmental Assessment (OP 4.01)**

The Project is rated category “B”. The project poses minimum environmental risks. It involves establishing new archive centers and remodeling of the five buildings where the installation of modern automated systems is expected. There is a limited amount of office refurbishment included for interior work, primarily adjusting office floor plans, construction of counters, and similar work. The environmental aspect of the proposed activities is related to the projected reconstruction and repair works, including alterations and repair of facilities, re-equipment of the existing archive centers, and installation of new equipment.

The proposed reconstruction and other works related to the establishment and equipment of archive centers do not refer to hazardous activities or the ones having negative environmental impact, and will be implemented in compliance with general requirements of the RF legislation. According to the Urban Planning Code of the Russian Federation (Article 51), such sites require neither mandatory preparation of special documents to obtain construction permits, which would involve special dust, noise or waste control requirements, nor state expert review of documentation (Article 49).

The project will provide environmental benefits by verifying and protecting rights in immovable property, thereby enhancing incentives for the environmentally sustainable use of these assets.

#### **Environmental management Plan**

Environmental Management Plan (EMP) under the Project was developed disclosed in compliance with the requirements of the RF laws and Bank Directives on project environmental assessment.

The EMP was discussed with the regional offices of the FRS, the Federal Service for Environmental, Technological and Nuclear Control, the regional and municipal administrations in 7 regions, local environmental experts and NGOs in the above cities.

EMP activities for the overall Project are designed to ensure implementation of all scheduled and, if appropriate, additional environmental activities for individual sites. Organizational activities shall include:

- strengthening the institutional environmental capacity of the FRS and its regional offices through meeting the needs in the staff with relevant expertise;
- agency-level control of the development of documents for reconstruction and rehabilitation works in compliance with the existing requirements;

- organizational and financial support;
- monitoring of compliance with the regulatory and methodological document “Major Operating Instructions for Archives of Organizations” (approved by the Board of the Federal Archive Service of the Russian Federation on February 6, 2002);
- training of construction workers and staff of the Registration Service in environmental protection requirements.

Regional offices of the Federal Registration Service will develop working documents containing EMP activities for each data storage center proposed for financing under the Project in accordance with the assigned Category (B).

Relevant quality certificates should confirm compliance with sanitary and hygienic requirements to construction items and machinery.

*Estimated Cost of EMP Implementation.* Implementation of technical EMP measures is related to rehabilitation works such as waste disposal, post-construction site cleanup and improvement, etc. The cost of these activities will be included in the investments in establishing regional data storage centers.

Given the nature of the proposed activities, the EMP basically includes organizational activities and measures to monitor compliance with the established environmental requirements. The cost of these activities is included in labor costs of the staff of existing agencies.

EMP implementation reporting will follow the Bank reporting procedures under the Project. EMP monitoring will be supplemented by the Bank control. The process will involve participation of relevant Bank experts in the work of regular Bank Project supervision missions to monitor EMP implementation progress as appropriate. The FRS performance in this part of Project activities will be a regular element of Project supervision reports, as well as the Project Completion Report.

**Natural Habitats (OP/BP 4.04): Not applicable**

**Pest Management (OP 4.09): Not applicable**

**Cultural Property (OP 4.11)**

The project will not involve any physical activities at or near sites of cultural/historical/religious etc. significance. Buildings and land sites allocated for deployment of data storage centers are the ones being under legal use. The sites intended for center location do not include or affect any protected objects of cultural heritage or specially protected nature objects.

**Involuntary Resettlement (OP/BP 4.12)**

The project will not support land acquisition and associated involuntary resettlement. The project will also not change ownership or use rights in protected areas. The project also does not support eviction or similar enforcement of laws addressing illegal occupation of state land.

**Indigenous People (OP 4.10): Not applicable**

**Forests (OP/BP 4.36): Not applicable**

**Safety of Dams (OP/BP 4.37): Not applicable**

**Projects in Disputed Areas (OP/BP/GP 7.60): Not applicable**

**Projects on International Waterways (OP/BP/GP 7.50): Not applicable**

## B. Social Analysis

During project preparation a social analysis was carried out. The social analysis was based on **qualitative and quantitative data** collected in 2003.

**Quantitative analysis** was based on 2 surveys. **The first survey** included 3000 households and was carried out **among households that went through the registration process**. The survey covered 7 regions, one in each federal district (Jaroslavl, Novgorod, Omsk, Perm, and Rostov Oblasts, Khabarovsk krai, and Kabardino-Balkaria). In each region 430 households were interviewed, stratified by type of the populated area – 150 households in big cities, 50 in small or medium size towns, 20 in villages. Households were stratified by type of right they have registered: a residence (apartment/house), a land plot, non-residential buildings.

The **second survey** was carried out in the same 7 regions. The sample was constructed from **all households of the regions** both those who went through the registration process and those who have not done so. The survey used the framework of a regionally representative omnibus survey. The sample was based on electoral lists and consisted of 800 households per region, 5600 households in total. The questionnaire was designed so as to allow for comparison to the responses provided in the first survey.

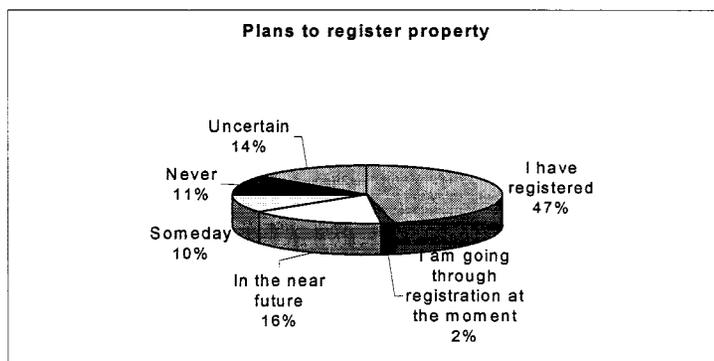
The **qualitative analysis** included focus groups (10 per region) with various clients of the registration system, both physical persons and representatives of private business, specialists and employees of various registration offices, as well as real estate and other agents providing registration services to their clients. Separate focus groups were carried out with socially disadvantaged participants of the registration process, with the clients that have just completed registrations, and those that have been denied the right to register property (according to the Ministry of Justice data, between 2002 and 2003 the number of denials has increased 50 per cent and tripled as compared to 2000, which signaled the importance of the issue).

Expert open-ended interviews were carried out with the employees of registration agencies, notaries, other specialists working with private property, as well as with representatives of legal entities that went through the registration process – about 25 per region. Participatory observation and document analysis were also used (6-18 observation units per region selected among registration and cadastre offices).

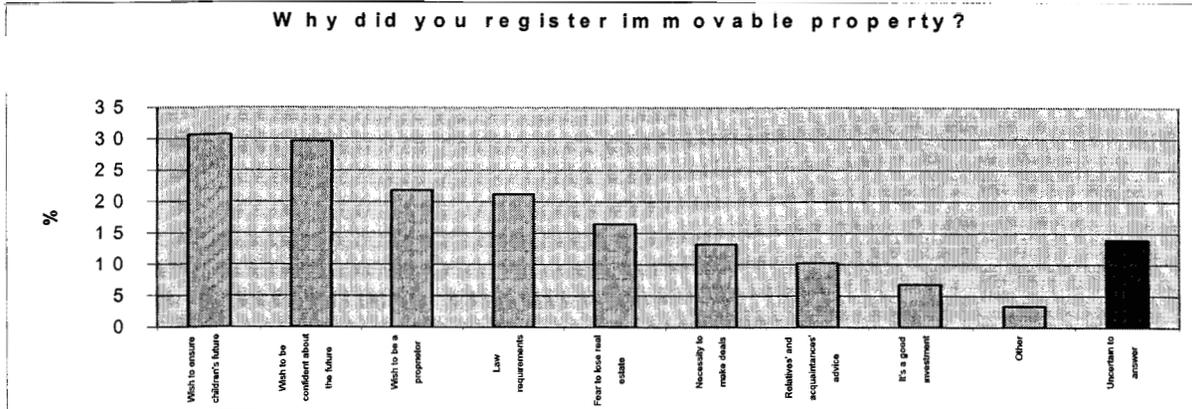
### The Main Findings

#### Overall Trends and Motivations for the Registration of Immovable Property

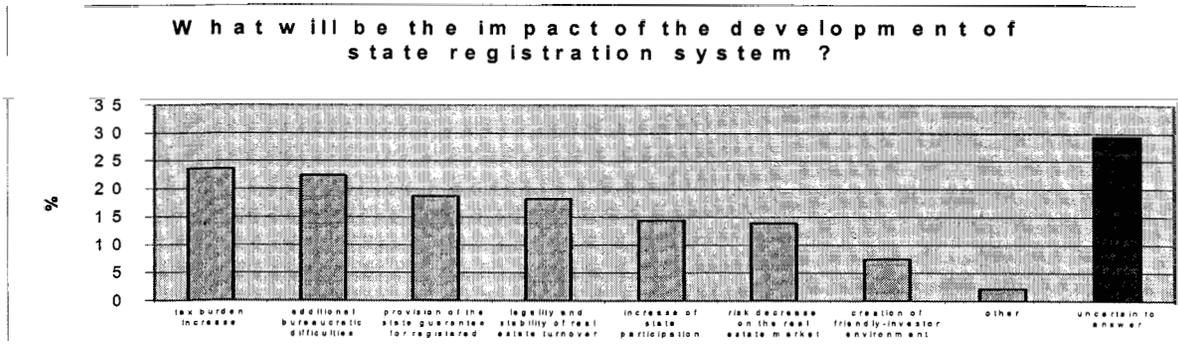
Registration of property rights by Russian households has much advanced. About half of surveyed households (47%) have registered at least one property right and about one quarter of the surveyed households plan to register property or are currently involved in the process of registration.



At the same time, much remains to be done to improve the image of the registration service and make registration of property, particularly secondary registration, a desired form of securing property rights. At present, about one third of the population is not familiar with the concept of registration and is not aware of the benefits associated with registration as a means of securing property rights. More than half of the respondents (representative of the population of the surveyed provinces) expect nothing but negative outcomes from property registration - increased bureaucratic hurdles and tax burden.



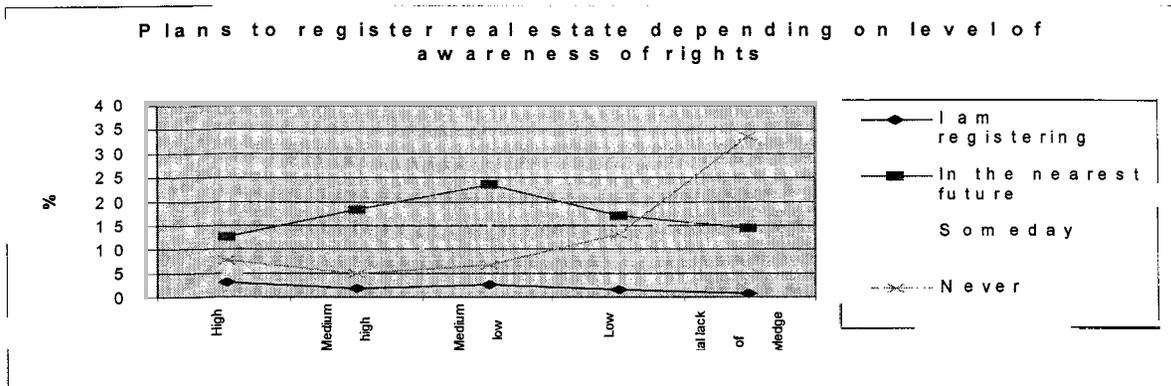
Those who went through with the property registration have a more positive forward looking agenda of passing their property to their children, securing their financial position in the old age, or a desire to become a legitimate owner.



These constructive responses about registration correlate with respondent's positive assessment of their level of adaptation to the market economy, with a positive assessment of the performance of both the federal and local governments, and with a positive assessment of change in the financial position of their households. Positive subjective and objective economic and political expectations drive registration of property. However, a high percentage of those having difficulty answering the question demonstrate that there is a big reserve among potential participants in the registration process that could be tapped if their level of information about registration improves.

### Information

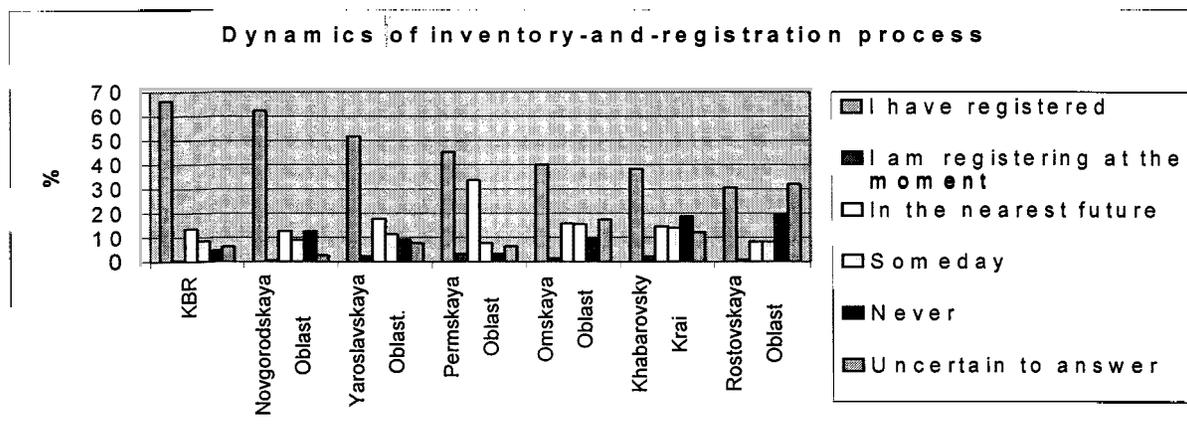
The study confirmed the connection between the level of information about the registration process and rights associated with formalized ownership on the one side and the readiness to go through with the registration on the other. Respondents with higher level of information are planning to go through with the registration process in the future.



Since one of the major sources of information about transactions in immovable property are people who went through the registration process, areas with high levels of registration find themselves in **the virtuous circle of increased registrations**. Respondents identified different sources of information about the registration process that were judged effective. However, qualitative focus group-based analysis confirmed the overall low level and quality of information about the registration process. The majority of participants of focus groups do not know the difference between ownership and user rights, do not realize that inheritance needs to be registered, become aware of the registration process only when problems associated with the *de facto* completed but not formalized transactions start to mount. The rural population is particularly poorly informed about property rights. **The study points to the need to design targeted information strategy for rural population and implement it in the project oblasts.**

**Regional and Locality Characteristics:**

The study captured vast regional differences both in the share of households that have registered their property and in their plans to do so in the future. The share of households that have registered their property rights ranges from the maximum of 66.3 per cent in Kabardino-Balkaria to the minimum of 30.7 per cent in Rostov Oblast.



Trends for future registrations differ significantly among regions as well. Perm oblast leads with every third household expressing a desire to register property or being involved in the registration process. The Rostov oblast has the smallest share of households interested in property registration in the future. While in Kabardino-Balkaria and Novgorod oblast low share of the population planning to register may be related to high number of completed registrations, in the Rostov oblast we observe a continuation of the

trend for low levels of both completed and planned registrations. The fact that more than one third of the respondents in Rostov oblast lacked basic familiarity with the notion of registration and quarter of the population had negative association with the notion of registration (compared to 4 and 5 per cent respectively in Perm oblast) confirms the picture of the viscous and virtuous circles of registration existing at the regional level (the fact that Rostov oblast is a demographically younger and an economically growing region only confirms the importance of the quality of registration service in its ability to attract wider strata of the population to property registration and the importance of both good information systems and the quality of service to increase the reputation of the regional registration offices).

Inter-regional differences in economic development, levels of income and in economic differentiation play an important role in the respondents' assessment of the overall success of the economic reform, in their ability to adapt to market relations, and in their willingness to register their property rights.

### **Difference Among Agencies Involved in the Registration Process**

Perceived **efficiency of registration services** also play an important role in the decision to formalize property relations. It is important to note that of the three **agencies** a person came in contact with in the process of property registration at the time of the survey - the Bureau of Technical Inventory (BTI), the Land Cadastre (LC), and the Agency for Property Registration (REG) - the Agency for Property Registration was judged to be the most efficient, user-friendly, and overall better performing. However, for all the three services, including the registration, the assessment of the quality of the service is significantly lower **after** the registration than their assessment by potential users in anticipation of property registration. Therefore, these are not just image issues, these are issues of actual failure to provide services even at the anticipated level (fairly low to start with).

Overall, BTI agencies are evaluated as the least competent, the worse equipped, the least friendly. At the same time, time spent in the BTI offices was assessed to be the longest, the offices the most bureaucratic. Elimination of the requirement to get documentation from the BTI and elimination of obligatory inspections in cases where property was not altered will be met with much enthusiasm by the potential clients of the registration system.

Integral indexes of the three agencies vary substantially by region. High integral indexes of all the three institutions in Omskaya Oblast are accounted for by such features as staff qualification and friendliness, convincing answers to all questions and high level of fitting out with computers, that is, first of all, by user oriented functioning of all inventory and registration institutions. Even the negative assessment of complexity and long duration of the inventory/registration procedures does not annul the positive contribution of these characteristics to the integral index.

It is important to note, that despite the relatively high cost of property registration and time spent for property registration in Perm Oblast, the approval of the service is fairly high, which may be associated with the perceived low level of corruption of the registration service in Perm compared to other regions. It is possible to conclude, therefore that for the average user of the service it is not the cost per se that is prohibitive, but the uncertainty of costs and time one needs to spend for property registration. Therefore, decrease in graft and increase of predictability will increase both the assessment of the service by the user and the willingness to go through with property registration.

	KBR		Rostovskaya Obl.		Permskaya Obl.		Omskaya Obl.		Novgorodskaya Obl.		Yaroslavskaya Obl.	
	Days	Rubles	Days	Rubles	Days	Rubles	Days	Rubles	Days	Rubles	Days	Rubles
BTI	14,8	624,5	17,4	851,3	43,4	668,1	24,9	668,1	14,9	348,9	21,2	2931,5
LC	20,0	1107,2	32,5	764,8	71,4	1197,9	19,3	531,9	16,8	651,7	51,7	861,5
REG	21,6	1187,4	49,4	733,7	57,9	1151,2	43,3	315,0	26,1	483,9	28,5	708,8
Total	56,4	2919,1	99,3	2359,8	172,7	3117	87,5	1515	57,8	1484,5	101,4	4501,8

Those who can afford the cost hire agents to deal with the registration process. Quantitatively, one quarter of the registered sample used complete or partial assistance with the registration of property. The use of agents for registration varies substantially by region. In the region where registration is the least wide spread and the least popular among clients and population at large, the Rostov oblast, 51 % of respondents used agents to register property. In the region with the cheapest registration, Omsk oblast, only 0.2 per cent of those registered used services of realtors. It is important to point that this is the region with the **highest level of client satisfaction** with all the three registration agencies. Individual regional practices and readiness to respond to the clients' needs play a very important role in client satisfaction and the overall outcome of the registration process.

Registration services are assessed differently in big cities and in smaller towns and villages. It is important to note that dwellers of smaller towns are the least satisfied with the quality of the registration service:

	City		Small town		Rural settlement	
	Days	Rubles	Days	Rubles	Days	Rubles
BTI	25,4	1409,9	19,9	628,3	19,8	582
LC	32,3	830,3	35	1217,2	33,4	913,3
REG	38,3	769,6	37,6	759,7	36,1	773,9
Total	96	2009,8	92,5	2596,2	89,3	2269,2

A very important difference in the evaluation of the three agencies is related to the income levels of a household. Higher income groups are much more satisfied with the work of the registration services than the poorer and the middle income groups. Dissatisfaction of the middle income groups with the registration services is particularly disturbing, as these groups contain the main untapped reserves of the service users. One can speculate that, while lower income groups have lower expectations about the quality of services provided, middle income users of the service are disappointed with the quality of service, yet do not have sufficient resources to retain a realtor. **It is, therefore, particularly important to concentrate on providing user friendly services to lower and middle income groups.**

### Vulnerable Groups

Finally, to make property registration more accessible to all sections of the population, it is important to note higher than average share of those not willing to ever register property rights are among some vulnerable groups, particularly disabled single parents, the veterans. Qualitative focus group work pointed to the possible reasons for negative position towards property registration among these particular groups, namely high and unpredictable cost of registration and high and unpredictable amount of time necessary to complete the registration process, as well as, in the case of the disabled, poor accessibility of the registration offices.

**Annex 11: Project Preparation and Supervision**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

	Planned	Actual
PCN review	October 21, 2002	October 21, 2002*
Initial PID to PIC	October 24, 2002	October 24, 2002*
Initial ISDS to PIC	June 6, 2003	June 6, 2003*
Appraisal	April 24, 2005	April 25, 2005
Negotiations	January 23, 2006	March 15, 2006
Board/RVP approval	June 12, 2006	
Planned date of effectiveness	September 1, 2006	
Planned date of mid-term review	November 20, 2009	
Planned closing date	November 30, 2012	

\* These dates are of Russia Cadastre Project P078420, as the Registration and Cadastre Projects initially were being prepared as a single project, and were split before appraisal at the request of the Government.

Key institutions responsible for preparation of the project:

- Ministry of Justice
- Federal Registration Service

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Samir M Suleymanov	Task team leader	ECSSD
Edward Cook	Task team leader	ECSSD
Gavin Adlington	Sr. Land Administration Specialist	ECSSD
Juan Navas Sabater	Sr. Telecom specialist	CITPO
Vera Matusevich	Agriculture specialist	ECSSD
Jonathan Krull	Business systems analyst	Consultant
Mikhail Bunchuk	Information Officer	ISGEG
Svetlana Leshcheva	Operations Analyst	ECSIE
Nikolai Soubbotin	Lawyer	LEGEN
Alexander Balakov	Procurement specialist	ECSPS
Galina Kuznetsova	Sr. Financial management specialist	ECSPS
Anna-Maria Bogdanova	Team assistant	ECCU1
Valencia Copeland	Program Assistant	ECSSD
Sharifa Kalala	Program Assistant	ECSSD
Kathy Sharrow	Program Assistant	ECSSD
Daphne Sawyerr-Dunn	Program Assistant	ECSSD

Bank funds expended to date on project preparation:

1. Bank resources:	US\$170,000
2. Trust funds:	---
3. Total:	US\$190,000

Estimated Approval and Supervision costs:

1. Remaining costs to approval:	US\$25,000
2. Estimated annual supervision cost:	US\$100,000

**Annex 12: Documents in the Project File**  
**THE RUSSIAN FEDERATION: REGISTRATION PROJECT**

“Review of Existing Information Technology used by Offices, Suitability Analysis and Elaboration of a Strategy and Plans for Future ICT Developments”, Project preparation study No. 1.

“Investigation of Legal Framework and Existing Procedures of Rights Registration and Real Property Recording”, Project preparation study No. 2

“Project on Inventory and Registration of Rights to Real Estate: Social Assessment and Monitoring”, Project preparation study No. 3.

“A Study of the Current Registration System for Rights and Recordation of Immovable Property Objects”, Project preparation study No. 4

Federal Program “Phased Development of the System of State Registration of Rights and Transactions in Immovable Property”, approved by Government Resolution No. 273 of April 9, 2001 (in Russian).

Preparation mission Aide Memoires



**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
As of 12/31/2005  
(In Millions of US Dollars)

FY Approval	Company	Held				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ABOLmed	8	0	0	0	0	0	0	0
2006	Absolut Bank	15	10	0	0	3	8.76	0	0
2002	AgroIndFinC	5	0.3	0	10	3.83	0.3	0	7.67
2003	BCEN Eurobank	75	0	0	0	75	0	0	0
2004	BSGV	25	0	0	0	10	0	0	0
2004	BSGV Leasing	69.57	0	0	0	26.15	0	0	0
2001	BVF	0	3.31	0	0	0	0	0	0
2005	BVPEF III	0	12.5	0	0	0	2.32	0	0
2004	Bauxite Timana	45	0	0	30	0	0	0	0
2006	Bema Gold	14	0	25	0	0	0	0	0
2006	Brunswick Cptl	0	7.5	0	0	0	0	0	0
2005	Center-Invest	4.86	0	5	0	4.86	0	5	0
2006	Cinema Park	20	0	0	0	0	0	0	0
2002	Delta Credit	15.29	0	0	0	15.29	0	0	0
2003	Delta Credit	30	0	0	0	6	0	0	0
2004	Delta Leasing	3	0	0	0	3	0	0	0
2002	Egar Technology	0	0.78	0	0	0	0.28	0	0
2005	Esanna	15	0	0	50	13.28	0	0	44.23
2005	Eurosibtrans	30	0	0	0	30	0	0	0
2006	Fora Bank	6.26	0	0	0	0	0	0	0
2002	IBS	0	0	8	0	0	0	8	0
2002	ICB	5.71	0	0	0	5.71	0	0	0
2004	INTH	0	3.5	7	0	0	0	7	0
2006	INTH	10	0	0	0	0	0	0	0
2002	KMB Bank	4.86	0	0	0	4.86	0	0	0
2004	Krono Swiss	50	0	0	41	50	0	0	41
2005	Krono Swiss	45	0	0	0	45	0	0	0
2005	Kronospan Russia	83.42	0	0	0	52.44	0	0	0
2005	KuAz	15	0	0	0	0	0	0	0
2004	Lebedyansky	35	0	0	0	0	0	0	0
2005	Moscow Credit Bk	15	0	0	0	8	0	0	0
1998	Mosenergo	8.99	0	0	0	8.99	0	0	0
2002	NBD	0.83	0	0	0	0.83	0	0	0
2003	NBD	4.17	0	2	0	4.17	0	2	0
2006	NBD	5	0	0	0	0	0	0	0
2001	NMC	1.78	0	0	0	1.78	0	0	0
2004	NWSC	23	0	0	23.48	0	0	0	0
2004	Novatek	0	21.75	0	0	0	21.75	0	0
2005	Peter Hambro	0	15	0	0	0	14.99	0	0
2004	Pilkington Rus	50.65	0	0	0	50.65	0	0	0
2001	Probusiness Bank	0	0	5	0	0	0	5	0
	Promek	83.91	0	0	0	39.91	0	0	0
2003	Quadriga Capital	0	17.7	0	0	0	6.86	0	0
2005	RWMN	1	0	0	0	1	0	0	0
2004	RZB Leasing Russ	20	0	0	0	9.5	0	0	0
	RZB Russia	130	0	0	0	70	0	0	0
2003	RZB Russia	24.44	0	0	40	24.44	0	0	40
2004	RZB Russia	10	0	0	0	10	0	0	0

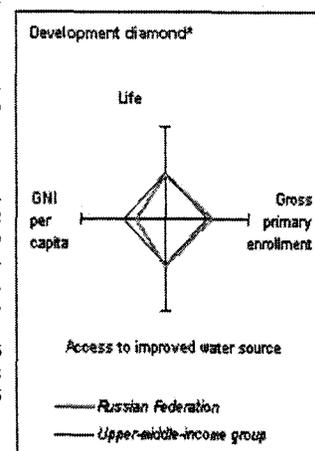
1998	Ramstore	8.5	0	0	0	8.5	0	0	0
2001	Ramstore	14.99	0	0	0	14.99	0	0	0
2002	Ramstore	23.57	0	10	18.75	23.57	0	10	18.75
2003	Ru-Net	0	5	1	0	0	5	0	0
2001	Ruscam	4.5	0	4.5	0	4.5	0	4.5	0
2003	Ruscam	9	0	0	0	9	0	0	0
2004	Ruscam	17.5	0	0	0	17.5	0	0	0
2002	Russ Stndard Bnk	0	10	0	0	0	10	0	0
2004	Russ Stndard Bnk	58.71	0	0	0	58.71	0	0	0
2006	Russ Stndard Bnk	39.95	0	0	60	39.95	0	0	0
1995	Russ Tech Fnd	0	0.23	0	0	0	0.23	0	0
2005	RussiaPartnersII	0	10	0	0	0	0.8	0	0
	Russkiy Mir	24.34	0	0	29.71	2.29	0	0	2.76
2004	Russkiy Mir	11.79	0	0	0	11.79	0	0	0
2005	Russkiy Mir	20.34	0	0	24.83	1.89	0	0	2.28
	SCF Restructured	0	0.6	0	0	0	0.6	0	0
2004	Severstaltrans	23.21	0	13.93	0	23.21	0	13.93	0
2004	Sibakadembank	3	0	6	0	3	0	6	0
2002	Sonic Duo	0	0	6	0	0	0	6	0
2003	Stav. Broiler	14.25	0	0	0	11.75	0	0	0
2004	Sveza	40.5	0	0	0	28.1	0	0	0
2002	Swedwood Tichvin	5.16	0	0	0	5.16	0	0	0
2005	ToAz	30	0	0	45	0	0	0	0
2006	UralSib Bank	30	0	0	0	30	0	0	0
2003	UralTransBank	9.17	0	0	0	6.67	0	0	0
2006	Vladpivo	8.94	5.31	0	0	0	0	0	0
2004	Volga Shipping	25.18	0	0	17.25	15.05	0	0	10.31
2001	Volga-Dnepr	10.6	0	6.09	12.84	10.6	0	6.09	12.84
2002	ZAO Europlan	4.29	0	0	0	4.29	0	0	0
1998	ZAO Storaenso	0.6	0	0	0	0.6	0	0	0
2002	ZAO Storaenso	4.2	0	0	0	4.2	0	0	0
Total portfolio:		1,451.03	123.48	99.52	402.86	913.01	71.89	73.52	179.84

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2006	BRL	37.5	0	0	0
1999	DLV	3	0	0	0
2002	RSB II	0	0	0	0
2006	RSB IV	0	0	25	0
2006	SAB II	10	0	0	0
2005	KMB Bank II	32	0	6	0
2005	Novatek Gas	50	0	0	70
2005	Ramstore IV	40	0	0	0
2006	CityMortgage	25	0	0	0
2006	PIP-Vladpivo	5.58	0	0	0
2003	DeltaCredit Bank	30	0	0	0
Total pending commitment:		233.08	0.00	31.00	70.00

## Annex 14: Country at a Glance

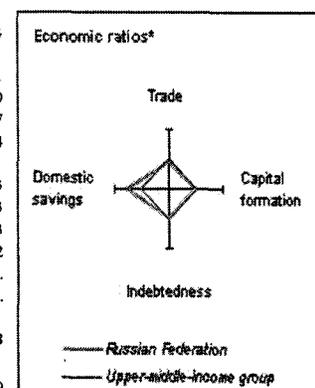
### THE RUSSIAN FEDERATION: REGISTRATION PROJECT

	Russian Federation	Europe & Central Asia	Upper-middle-income
<b>POVERTY and SOCIAL</b>			
<b>2004</b>			
Population, mid-year (millions)	142.8	472	576
GNI per capita (Atlas method, US\$)	3,420	3,290	4,770
GNI (Atlas method, US\$ billions)	488.5	1,553	2,748
<b>Average annual growth, 1998-04</b>			
Population (%)	-0.5	-0.1	0.8
Labor force (%)	0.2	-0.5	-0.9
<b>Most recent estimate (latest year available, 1998-04)</b>			
Poverty (% of population below national poverty line) /a	21	..	..
Urban population (% of total population)	73	64	72
Life expectancy at birth (years)	66	68	69
Infant mortality (per 1,000 live births)	16	29	24
Child malnutrition (% of children under 5)	6	..	..
Access to an improved water source (% of population)	96	91	93
Literacy (% of population age 15+)	99	97	91
Gross primary enrollment (% of school-age population)	118	101	106
Male	118	103	108
Female	118	101	106



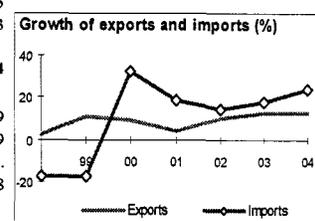
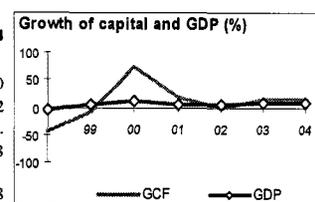
#### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1984	1994	2003	2004	
GDP (US\$ billions)	..	395.1	431.5	581.4	
Gross capital formation/GDP	..	25.5	20.4	21.1	
Exports of goods and services/GDP	..	27.8	35.2	35.0	
Gross domestic savings/GDP	..	30.1	31.8	33.7	
Gross national savings/GDP	..	29.6	28.6	31.4	
Current account balance/GDP	..	2.0	8.3	10.3	
Interest payments/GDP	..	0.4	2.4	2.3	
Total debt/GDP	..	30.9	38.9	26.3	
Total debt service/exports	..	6.1	18.2	22.2	
Present value of debt/GDP	..	22.0	41.8	..	
Present value of debt/exports	..	109.5	110.5	..	
<b>(average annual growth)</b>					
GDP	-9.2	3.2	7.3	7.1	6.9
GDP per capita	-9.3	3.6	7.8	7.6	7.5
Exports of goods and services	..	7.0	12.5	12.3	2.5



#### STRUCTURE of the ECONOMY

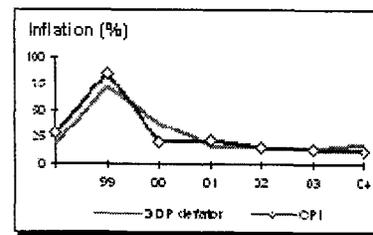
	1984	1994	2003	2004
<b>(% of GDP)</b>				
Agriculture	..	6.6	5.4	5.0
Industry	..	44.7	34.0	35.2
Manufacturing	..	..	..	..
Services	..	48.6	60.7	59.8
Household final consumption expenditure	..	50.8	50.6	49.8
General gov't final consumption expenditure	..	19.1	17.6	16.5
Imports of goods and services	..	23.2	23.8	22.3
<b>(average annual growth)</b>				
Agriculture	..	2.9	5.7	2.9
Industry	..	3.7	8.7	6.9
Manufacturing	..	..	..	..
Services	..	3.0	6.9	7.8
Household final consumption expenditure	..	3.5	7.4	10.5
General gov't final consumption expenditure	..	1.2	2.2	2.3
Gross capital formation	..	0.1	13.2	13.6
Imports of goods and services	..	6.0	17.7	23.5



\*Note: 2004 data are preliminary estimates. a. Rosstat.  
\* The diamonds show four key indicators in the country (in bold) compared with its income-group average.

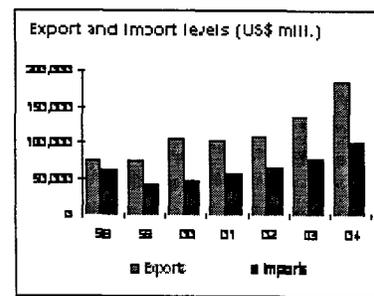
**PRICES and GOVERNMENT FINANCE**

	1984	1994	2003	2004
<i>Domestic prices</i>				
<i>(% change)</i>				
Consumer prices	..	307.6	13.7	10.9
Implicit GDP deflator	..	307.3	14.0	18.1
<i>Government finance</i>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	36.7	37.4	32.5
Current budget balance	..	-1.9	4.6	7.0
Overall surplus/deficit	..	-9.2	2.1	4.7



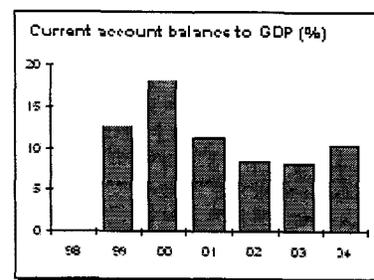
**TRADE**

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total exports (fob)	..	67,379	135,929	183,452
Crude oil	..	11,355	38,843	58,256
Natural gas	..	10,355	19,981	21,853
Manufactures	..	6,900	12,800	15,100
Total imports (cif)	..	53,480	78,539	100,193
Food	..	10,700	12,100	13,800
Fuel and energy	..	..	1,300	1,700
Capital goods	..	13,600	21,400	31,100
Export price index (2000=100)	..	70	113	140
Import price index (2000=100)	..	94	103	97
Terms of trade (2000=100)	..	75	110	145



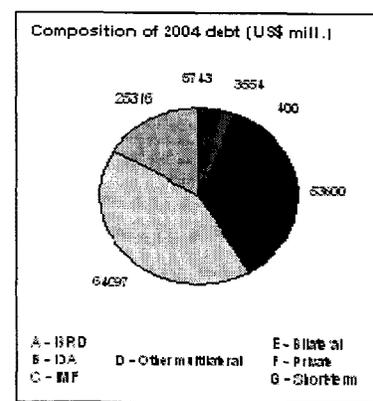
**BALANCE of PAYMENTS**

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Exports of goods and services	..	75,803	151,959	203,742
Imports of goods and services	..	65,887	102,558	130,007
Resource balance	..	9,916	49,401	73,735
Net income	..	-1,840	-13,171	-12,827
Net current transfers	..	-233	-364	-799
Current account balance	..	7,843	35,866	60,109
Financing items (net)	..	-11,788	-4,823	-10,850
Changes in net reserves	..	3,945	-31,043	-49,259
<i>Memo:</i>				
Reserves including gold (US\$ millions)	..	6,501	76,936	124,540
Conversion rate (DEC, local/US\$)	..	1.5	30.7	28.8



**EXTERNAL DEBT and RESOURCE FLOWS**

	1984	1994	2003	2004
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	..	121,922	167,746	152,710
IBRD	..	684	6,289	5,743
IDA	..	0	0	0
Total debt service	..	4,802	29,791	47,530
IBRD	..	23	894	917
IDA	..	0	0	0
<i>Composition of net resource flows</i>				
Official grants	..	1,306	..	..
Official creditors	..	-1,297	-3,807	-3,539
Private creditors	..	1,218	20,500	5,224
Foreign direct investment (net inflows)	..	408	-2,408	-910
Portfolio equity (net inflows)	..	21	-5,045	-26
<i>World Bank program</i>				
Commitments	..	1,590	320	320
Disbursements	..	283	233	170
Principal repayments	..	0	719	780
Net flows	..	283	-486	-611
Interest payments	..	24	175	137
Net transfers	..	259	-661	-748





MAP SECTION



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