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# EVALUATION OF THE EGYPT FINANCIAL SERVICES PROJECT

Final Report

*August 2009*

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FINAL EVALUATION REPORT  
OF THE  
EGYPT FINANCIAL SERVICES (EFS) PROJECT

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**PROGRESS 2**

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October 22, 2009

## Table of Contents

EXECUTIVE SUMMARY.....	1
ACRONYMS.....	9
PREFACE AS FORWARD .....	10
ACKNOWLEDGEMENTS.....	10
I. INTRODUCTION AND PROJECT SUMMARY.....	12
II. DEVELOPMENT PROBLEM.....	14
III. PURPOSE OF EVALUATION .....	15
IV. RESEARCH DESIGN.....	16
V. FINDINGS.....	19
VI. CONCLUSION.....	37
VII. RECOMMENDATIONS.....	37
VIII. “LESSONS LEARNED” AND GAPS .....	53
IX. APPENDICES.....	56

## **EXECUTIVE SUMMARY**

From 2004-09, the United States Agency for International Development has funded the Egyptian Financial Services Project. From inception and through out its execution the Project has been task-activity driven, and up until late 2008 the Project was divided into four parts: the mortgage market, property registration, financial instruments in capital markets and a credit bureau. The overall objective was to promote reforms that would allow financial institutions to offer mortgages by removing structural, legal and institutional constraints. However, instead of seeing the Project's parts as being interrelated and mutually supporting, key Egyptian counterparts, financial regulators and private sector often view the Project's parts in isolation, as being divided into four units by task, and the Project has been implemented along those lines.

The four tasks were terminated upon the expiration of the Base Period (2004-2008), and beginning with the Option Period, the assistance focused on advising the newly created omnibus financial regulator for non-banks, the Egyptian Financial Supervisory Authority. The support for the Egyptian Financial Supervisory Authority centered on capacity building with a view to establishing some uniformity in procedure and practice among the Authority's three regulatory areas: mortgages, capital markets and insurance.

The evaluation team concluded that the Project was successful in providing key support to the Mortgage Finance Authority in its efforts to reach the ultimate goal of becoming a self-sustained market regulator and contributing to the development of mortgage markets. In our view the development of the mortgage market and housing finance has been advanced effectively through the assistance of the Project. The support provided was highly valued by the counterparts in the great majority of cases, and was directly relevant to and applied by the Mortgage Finance Authority to the implementation of reform measures.

However, the mortgage lending market is in the initial stages of development and the volume of mortgage debt outstanding as a percentage of Gross Domestic Product is very low. Financial institutions are constrained by the lack of longer-term resources necessary to fund long-term mortgage products. Moreover, there is a lack of the necessary competencies in residential mortgage lending operations, including a lack of standardized mortgage lending documentation, policies and procedures. Future technical assistance in the mortgage markets area should be focused on institutional capacity building and improvement of the legal and regulatory framework.

The entire project has offered support through a number of vehicles that was focused on legal and administrative reform; market analysis and capacity building; and the use of sophisticated automation technologies.

The following is a summary of the Findings and Recommendations:

### **Task 1: Mortgage Market**

**Task 1 Finding #1.** The lack of standardization and uniformity in all critical areas of mortgage lending are among the key impediments to developing primary mortgage markets in Egypt. The mortgage market is in its infancy, however, and this provides an opportunity to draw from the lessons learned in other countries and institutionalize international best practices. Under international practice, the standardization of mortgages is a complex, well-developed process that contributes to efficiency and security of the mortgage market.

There is an awareness and understanding of the importance of institutionalization at the highest levels, but more needs to be done to educate and increase the awareness of the market participants on the importance of standardization. The Project started this effort, but it is far from complete. Continued support should include not only the mortgage finance companies, but also the banks as the main potential players in the mortgage markets.

**Task 1 Recommendation #1.** Technical assistance is needed in order to develop standardized mortgage loan documentations and procedures in accordance with international best practice and adapted to Egypt. Standardized mortgage loan documentation and procedures will assist Egyptian banks and mortgage finance companies to develop standardized mortgage products, mortgage loan files and mortgage lending and maintenance processes with a view toward use in an eventual secondary market. It should be noted that such standardized documentation and procedures will not only help to develop the primary mortgage markets, but standardization is also a prerequisite for the development of the secondary mortgage markets.

In our view, this very important issue should be tackled in two stages, first with mortgage finance companies and then with banks (respectively Egyptian Financial Supervisory Authority and Central Bank of Egypt as regulators). The advantage of such an approach is that mortgage finance companies are still in their early stages of development, and it will be less complicated to adapt new processes. After creating a standardized package for loan documentation and procedures, an action plan should be developed in cooperation with the Central Bank of Egypt and presented to the banking sector. The input from the banking sector should then be incorporated into the final product. The main challenge would be to create a standardized package and documentation that would work in Egypt, because of Egypt's specific cultural and religious factors.

**Task 1 Finding #2.** The conventional participants in Egypt's mortgage finance market includes, among others, financial institutions, mortgage finance companies, insurance companies, realtors and appraisers, but these institutions all have little or no experience in housing finance. For example, banks do not have standardized documentation on mortgage lending policies and procedures, insurance companies do not offer the insurance products that are quite often necessary in mortgage lending, and are not using uniform valuation appraisal standards for mortgage purposes.

Financial institutions are constrained by the lack of long-term resources necessary to fund long-term mortgage products. Moreover, there is a lack of the necessary competencies for residential mortgage lending operations, including a lack of standardized mortgage lending policies and procedures. The main problems associated with residential mortgage lending by lenders are: lack of long-term financing sources to fund mortgage loans; incomplete or non-existent internal standard procedures and standard documentation for the complete mortgage lending process; and limited residential mortgage product line; lack of effective mechanisms to assess risk related to mortgage lending; and the banks' staff lacks skills in this area.

### **Task 1 Recommendation #2**

1. Egyptian Financial Supervisory Authority Merger Plans Implementation. Assistance should continue to be provided to the single financial regulator Egyptian Financial Services Authority to successfully complete the merger. In the near future assistance should include drafting of the business plans; operating manuals and procedures; establishing the regulatory infrastructure that will be required, including divisions and departments; amending laws, adopting all required executive orders, rules and regulations; adopting the current regulatory responsibilities to those of the single regulator; integration and expansion plan; and addressing human resources issues such as defining job titles, and establishing a performance appraisal and review system. The most important of these is to develop and implement a markets integration and expansion plan. The Project during the Option Period initiated efforts to support activities in this area.
2. Mortgage Regulatory Capacity. Support is needed for improvements within the Egyptian Financial Supervisory Authority (Mortgage Finance). Further assistance is needed in order to strengthen the capacity of middle management. Many of the highest positions in the Mortgage Finance Authority were filled with people from the banking sector who might return to the private sector. Accordingly, the focus of the technical assistance should be directed towards deepening and strengthening the capacity of the middle management of the Egyptian Financial Supervisory Authority (Mortgage Finance).
3. Develop mortgage related insurance products. Currently, there are neither title insurance companies nor mortgage insurance products, and efforts should continue to establish both. Having both would facilitate more efficient operation of the mortgage market. The Project during the Option Period initiated a limited effort to support activities in this area.
4. Develop and activate a collateral registry system. The work started by the Project in the collateral registry area should continue and be completed. A collateral registry is very important to support the needs and objectives of the Egyptian Financial Supervisory Authority, mortgage finance companies, the banks involved in mortgage lending activities and the Egyptian Mortgage Refinance Company. Among other things, a collateral registry would facilitate loans by the Egyptian Mortgage Refinance Company to banks and mortgage finance companies that are collateralized by existing mortgage loan portfolios, and the issuance of asset-backed and mortgage-backed securities. The registry would serve similar needs of others, including commercial banks, General Authority for Investment, leasing companies, and automotive finance companies.

5. Develop new mortgage products. In order to better access the market and broaden the customer base, new mortgage products should be identified and designed for banks and mortgage finance companies which are applicable to specific cultural and religious conditions in Egypt. Based on our interviews in several banks and mortgage finance companies, assistance will be needed to help identify and design such products.
6. Develop the capacity of mortgage professionals. The plan for certification and designation of loan officers and mortgage lenders should be implemented in order to ensure sustainability of mortgage training and build trust in the profession. Such work started with the Project and it is important that it should be completed.

Efforts should continue to build strong, sustainable associations among mortgage-market participants that meet the evolving needs of their membership. The Egyptian Mortgage Association serves the mortgage finance companies, a few appraisers and mortgage brokers, but banks have not yet joined. Given its limited membership, the Egyptian Mortgage Association is offering just a few training courses, and is not playing an active role. In the near future, the possibility of the Egyptian Mortgage Association playing a larger role for training, raising market awareness and other development issues, should be explored. Whereas, the Egyptian Financial Supervisory Authority is focusing more on its role as a regulator.

7. Develop a multiple listing system. Assistance should be provided to develop a Multiple Listing System. The main advantage of a multiple listing system is that it allows every real estate broker in the system to show all properties in the system to anyone interested. The sharing of such information about all properties available for sale or purchase is beneficial to both buyers and sellers, and it makes it easier for buyers to have access to a broader list of choices within the full range of available properties. By bringing more information to the real estate markets, the Multiple Listing System makes the markets more efficient. That in turn will further develop more mortgage financing activity.
8. Further regulation of appraisal professionals and real estate agents. Egyptian Financial Supervisory Authority should be supported in its role as the single financial regulator to develop standards such as a code of conduct and licensing requirements for real estate agents. Real estate agents should be recognized and required to be licensed by the Egyptian Financial Supervisory Authority.
9. Unified Appraisal Standard. Efforts to enforce a unified Egyptian Appraisal Standard should continue so that the Egyptian market will operate in accordance with international best practices. Additional assistance is needed to train the residential and commercial real estate appraisers which would build on the previous work performed in this area by the Project in cooperation with the Egyptian Association of Real Estate Appraisers and the Mortgage Finance Authority.
10. Support Egyptian Financial Supervisory Authority and mortgage lenders in launching mortgage backed securities. The issuance of mortgage-backed securities should be an

integral part of future technical assistance since it is related to the development of the secondary mortgage markets, and it addresses the need for long-term financing in the mortgage market.

Support should be provided in the area of secondary markets so a “yield curve” could be developed for the Government of Egypt securities. A yield curve for Government of Egypt securities would serve to support the fixed income markets through the creation of risk-free benchmarks of the sovereign borrower. Currently, there are no transparent price discovery mechanisms to support the cost of financing. If the markets are liquid and there is active trading, it will ensure price discovery and price the risk of other financial instruments. The Government of Egypt bond yields could be used to calculate equity premiums and price most other securities depending on the bond market.

11. Egyptian Financial Supervisory Authority information systems integration and upgrading. Further assistance is needed by Egyptian Financial Supervisory Authority to improve its Information Technology capacity by reviewing all Information Technology operating systems, performing a gaps analysis and developing an Information Technology consolidation. The Information Technology systems of the 3 Authorities merging into Egyptian Financial Supervisory Authority should be analyzed and a plan developed to merge similar applications into a document management information system (archives), regulatory systems, regulatory information management systems, and enterprise resource planning through an expansion to the existing financial and administration systems.

**Task 1 Finding #3.** There have been many achievements to improving the legal and regulatory environment for housing finance, but a number of critical legislative issues need to be addressed in order to further develop the primary residential mortgage market. One such issue is the cumbersome and lengthy process for title and mortgage registration. Moreover, legislation governing other areas related to mortgage lending and the securities market requires further refinement. The lack of condominium legislation has negative repercussions on housing finance, and it should be part of creating an enabling environment for property development.

The analysis indicates that key regulatory deficiencies, directly related to residential mortgage lending, include fragmented and not yet complete housing finance legislation; time-consuming, cumbersome and long procedures for mortgage registration; underdeveloped procedures for repossession of mortgaged property; and a major issue regarding implementation of existing laws and regulations.

The Government will need technical assistance to strengthen the legal and regulatory framework in the following three areas: housing finance, mortgage registration/collateral perfection, and condominium law development.

**Task 1 Recommendation #3.** The Government of Egypt should identify and remove the obstacles that are preventing the efficient development of a vibrant housing market in the following areas:



**Housing Finance:** The focus should be on the development of the primary housing market, including supporting legal and regulatory reform in the area of mortgage registration, as well as residential mortgage lending. A review should be undertaken that would focus on streamlining the mortgage registration processes, cooperation agreements among parties and legislative amendments that will be needed to Law No.148, its Executive Regulations and other related laws in the area of housing finance to ensure that the governing laws will be able to achieve their objectives.

**Mortgage Registration/Collateral Perfection:** Assistance should focus on streamlining the mortgage registration process to identify the different steps involved in order to identify the obstacles that prevent efficient mortgage registration, including unwarranted delays and expense. Also, assistance should be provided to the mortgage finance companies (banks) for the development of legal procedures for collateral perfection, which is an important part of their internal procedures. To summarize, the assistance in this area should be twofold: for the Government to improve and streamline mortgage registration procedures and for the mortgage finance companies (banks) to improve their internal procedures.

**Condominium Law:** Assistance is needed to set an enabling environment for property development that includes rental and housing for sale. Such assistance should lead to legislative reform that addresses the creation of a condominium law and/or amendments to existing related rules, and setting the proper regulatory framework regarding registration, ownership, management and maintenance of rental or for sale property developments.

## **Task 2: Property Registration**

**Task 2, Finding # 1:** Despite the success at simplifying the property registration process, there is an asymmetry between the Project's efforts at Mokattam and the varied Government of Egypt efforts toward a titling system.

**Task 2, Recommendation #1:** The Agency should create a project devoted exclusively to title registration and, on a parallel course, the Government of Egypt needs to bring the issue of the Mokattam titling reform to the Cabinet of Ministers level, at a minimum, to bring Egyptian Survey Authority employees in registration offices under the exclusive supervision of the registration offices, as well as establish how government institutions will interact in order to expedite the move to a full title system.

### **Task 2, Finding #2**

There is a lack of incontestable and permanent evidence of the success of the Mokattam effort due to absence of: (i) full technological capabilities at Mokattam; and (ii) significant consumer use of Mokattam.

**Task 2, Recommendation # 2:** The USAID, in collaboration with the Government, should condition any extension of the Mokattam effort to Alexandria involving Agency assistance on the Cabinet of Ministers and subordinate constituencies in the Government taking all administrative and legal steps necessary to publicize the Mokattam reform thereby expanding local public use of the Mokattam facility.

**Task 2, Finding # 3:** There is a moderate to substantial danger of information technology systems failure at the Mokattam registration office. There is less than adequate physical maintenance, backup, and qualified human support, which threaten the ability of these systems to achieve replication.

**Task 2, Recommendation #3:** As a further condition to expansion to Alexandria, the Mokattam registration office should conduct a thorough systems resources inventory focused on problem identification, and undertake to resolve all systems problems, whether at the level of physical maintenance, backup or human resources support. Supervision of the inventory to identify and correct problems should be conducted by an independent auditor specialist for information systems technologies.

### **Task 3: Financial Instruments Capital Market**

**Task 3 Finding:** The range of innovative potential in Egyptian capital markets, coupled with the consolidation of non-bank regulatory authority in Egyptian Financial Supervisory Authority, presents the challenge of significant regulatory gaps that a donor initiative, supported by Egyptian Financial Supervisory Authority, might assist greatly in identifying and addressing.

**Task 3 Recommendation:** The Agency should support an extensive Market Activation Inventory, directed to Egyptian Financial Supervisory Authority, the goals of which would be to : (1) identify critical capital markets submarkets and assess levels of supply and demand for same; (2) conduct a target case study analysis of the five most significant financial instruments in the markets since 2004, with an analysis of the success, failure and adaptability features of each; (3) formulate five market to regulator comparative country studies on capital markets with similar profiles to Egypt's that have moved relatively recently to a consolidated financial regulator format, with attention to consequences and challenges; and (4) develop a roadmap for donor-Egyptian Financial Supervisory Authority policy level dialogue and advice.

### **Task 4: Credit Bureau**

**Task 4 Finding:** As a public spirited private sector institution, iScore has the resources to assist the micro finance sector, subject to negotiated adjustments.

**Task 4 Recommendation:** The Agency should support iScore in the expansion of its services to include firm rating and a collateral registry, conditioned upon development by iScore of a work plan for the integration of some microfinance institutions as iScore members, which plan might include resource pooling, partnering of such institutions with bank and non-bank members and training, both in and outside the country, as to how other countries have successfully managed such integration.

### **General Remarks on Challenges, Opportunities in Transition from Base to Option Period Finding:**

The Project efforts during the Option Period, especially assistance to Egyptian Financial Services Authority, may have covered many of the same subjects as the Base Period, but from a different policy perspective.

**Base Period to Option Period Recommendation:** The Agency should take full advantage of the excellent capacity building done by the Project during the Option Period in Egyptian Financial Supervisory Authority by effectively advertising the importance of the Market Activation Inventory described above, as a mutually beneficial monitoring tool for The Agency and Egyptian Financial Supervisory Authority.

These Recommendations translate into priorities in an illustrative Work Plan in Appendix IX C.

## ACRONYMS

<b>CBE</b>	Central Bank of Egypt
<b>CMA</b>	Capital Markets Authority
<b>CTO</b>	Cognizant Technical Officer
<b>EAREA</b>	Egyptian Association of Real Estate Appraisers
<b>EFSA</b>	Egyptian Financial Supervisory Authority
<b>EFS</b>	Egypt Financial Services Project
<b>EHFC</b>	Egyptian Housing Finance Company
<b>EMA</b>	Egyptian Mortgage Association
<b>EMRC</b>	Egyptian Mortgage Refinance Company
<b>ESA</b>	Egyptian Survey Authority
<b>GOE</b>	Government of Egypt
<b>ILS</b>	International Land Systems
<b>IT</b>	Information Technology
<b>IVSC</b>	International Valuation Standards Committee
<b>KRA</b>	Key Results Area
<b>LE</b>	Egyptian Pounds
<b>MCDR</b>	Misr for Clearing, Depository and Registry
<b>MFA</b>	Mortgage Finance Authority
<b>MFC</b>	Mortgage Finance Company
<b>MOJ</b>	Ministry of Justice
<b>MRO</b>	Model Registration Office
<b>MSAD</b>	Ministry of State for Administrative Development
<b>NBFI</b>	Non-Bank Financial Institution
<b>NRERP</b>	National Real Estate Registration Project
<b>PIR</b>	Project Intermediate Results
<b>PMP</b>	Performance Monitoring Plan
<b>REPD</b>	Real Estate Publicity Department
<b>RIM</b>	Regulatory Information Management System
<b>SOW</b>	Scope of Work
<b>TA</b>	Technical Assistance
<b>USAID</b>	United States Agency for International Development

## **PREFACE AS FORWARD**

This is the Final Evaluation Report (“Report”) of the USAID Egypt Financial Services Project (called “EFS” or the “Project” or the “EFS Project”), and covers the period from the inception of the EFS project in late 2004 through August, 2009. The project is due to be completed on or about the end of September, 2009. The evaluation mission consisted of Gary Kelly, Team Leader and Property Registration Specialist, Arthur Dimas, Mortgage Specialist, Mohsen Alashmoni, Program Support Specialist from the local Egyptian firm Progress 2 and technical local specialists from Progress 2. The evaluation was carried out from August 2, 2009-August 24, 2009 and, pursuant to Scope of Work in Appendix IX A, called for an evaluation of the contractor’s overall performance, effectiveness, and impact on the implementation of the EFS activities, with special emphasis on streamlining property registration procedures, the development of the mortgage market, establishment of an efficient and modern regulator, lessons learned during the implementation of the EFS Project and areas for follow activities. Whereas the initial USAID SOW asked “whether the technical assistance and contractor performance was effectively designed to achieve the project’s goals and objectives,” subsequent meetings with USAID officials indicated that only evaluation of technical assistance was in order.

The Report attempts to be forward-looking, at the specific request of USAID, for two essential reasons: One is that this is the Final Evaluation Report for EFS that takes into consideration a Mid-Term Evaluation Report dated March 9, 2008. By general agreement, the Mid-Term evaluation focused on execution of EFS tasks, whereas this Report, as the final accounting, will focus on the legacy of EFS and the programmatic possibilities emanating from both its accomplishments and experiences. Secondly, as suggested by the Glossary that is Appendix IX B, events within the GOE have altered the delivery of EFS technical services. Notably, the movement to omnibus financial regulation, as recently institutionalized as the EFSA, will create new opportunities for donor assistance. Therefore, a forward-looking view is in order.

The composition and emphasis of the evaluation was affected by, both resource constraints and large scale GOE reorganization in financial regulation support. Consequently, because of these factors, the Report focuses largely on two areas: the viability of primary and secondary mortgage markets and real property registration. USAID’s emphasis on these areas naturally influenced the composition and level of effort for the evaluation. So, while the Report is broadly in agreement with the observations made in the Mid-Term Report, the context for this Report is different and readers are encouraged to keep this in mind.

## **ACKNOWLEDGEMENTS**

The Evaluation Team expresses it’s thanks to the many colleagues in Cairo and in Washington, DC who facilitated the August, 2009 evaluation. This includes USAID and EFS itself, both of which were quite responsive in terms of providing documents, explanations and arranging connections. This collaboration is broadly reflected in Appendices IX D-E, setting forth meetings and a bibliography respectively. More broadly, our thanks extends to all colleagues in Egypt, both in the government and the private sector, who had association with EFS and shared their experiences. The Evaluation Team fully realizes that the time of year for the evaluation

posed its challenges, and this makes us doubly grateful for the excellent cooperation. The “payback” is that donor assistance hopefully will continue to be targeted and be beneficial to Egypt as it moves forward. The Evaluation Team hopes to have made a modest contribution in this regard.

## I. INTRODUCTION AND PROJECT SUMMARY

The EFS Project originated in 2004 in response to the specific needs articulated by the GOE. The approval document in 2003 identifies five essential weaknesses in the Egyptian financial sector, and specifically the financial sector's lack of support for securing residential housing. The document distilled the problem into three words: absence of credit. (Activity Approval, 5). Further elaborations as to the USAID approach to the Egyptian financial sector, and its connection to the national economy, are set forth in Part II below.

Meetings and interviews by the evaluation team during the evaluation confirmed that EFS is seen as having a "Rock of Gibraltar" reputation, built on four key tasks that correspond to the original concept of 2004. This perception continued into 2008. The EFS Quarterly Report as recent as July-September, 2008 divided the project's initiatives into the following categories:

1. Framework for Real Estate Finance Strengthened – originally articulated as the development of mortgage finance markets.
2. Operations of Real Property Registration System Improved – originally articulated as poor access to mortgage finance by households and enterprises, with general reference to administrative and procedural hurdles to mortgage finance.
3. Framework and Procedures for Secured Lending and Financial Instruments Developed – originally articulated as poor access as noted in 2 above.
4. Capacity of the Private Sector Credit Bureau to Operate Effectively Increased – originally articulated as poor availability of borrower credit history.

The approval document originally articulated tasks and the formulation of the Intermediate Results with minimal explicit consideration for either Egyptian or general economic policy. An analysis of the contract with the contractor supports this observation. That is, for understandable reasons, the contractor and USAID viewed the EFS as a focused activity targeting such clear identifiable constituencies as the REPD and the MFA. This was the uniform impression the evaluation team got from meetings and interviews during the weeks of August 2, 9 and 16 with EFS and key end users. Accordingly, instead of viewing the activities in isolation for the sake of implementation and placing the focus on patterns of activity, it gives a different profile for four very different kinds of tasks, despite the connection of all of them to the financial sector. The profiles are as follows:

1. Task 1 (mortgage market) - This vitally important initiative began by centering on institution building inputs to the MFA, especially the rules and regulations that govern a nascent mortgage industry. This effort was essential to establishing the credibility of a body that was in transition to an independent regulatory body. Thereafter, the EFS Project provided assistance to key private sector actors to help standardize practices, the core of which is a standard mortgage contract governing owners and developers. The EFS assistance sustained this private sector momentum through advice to the MFA on customer relations issues. The credibility of the advisory assistance provided by the EFS Project played a key role in the formulation of recently proposed legislation in the area of mortgages. The approach used to assist the MFA established a template for other tasks,

i.e., target the public institution, build capacity, gain confidence, and branch out to the private sector.

2. Task 2 (property registration) – This task is heavily focused on providing the technical inputs to establish an automated property registry for Mokattam, a complex, multi stage activity that is clearly a state function. Among the key EFS inputs were a 2005 survey of the policy and regulatory environment for property registration reform. After that, the EFS Project helped with the development of all phases of an enhanced deed system based on parcel identification number, and facilitating movement to a titling system in which the property registrar would have conclusive authority over the issuance of titles. This system would include, in particular, a cadastral data management system based at the ESA. EFS Project assistance included a mixture of support for training and other technical interventions, as well as system “troubleshooting.” EFS Project assistance continued to August 2009 and all of the systems supporting automation were about 85% validated by technical standards established by a subcontractor.
3. Task 3 (new financial instruments, capital markets) – This task is perhaps the broadest of the four, yet it is the most market sensitive. Perhaps because of this, the EFS Project assistance focused on the enabling environment in such areas as fixed income securities, leasing and factoring. Despite these regulator centric activities, EFS interventions also targeted market makers, such as brokers and dealers in the area of capital adequacy.
4. Task 4 (credit bureau) – This task is the most focused, and not surprisingly shows the most demonstrable result. Task 4 resembles Task 3 in that the EFS Project delivered parallel assistance to the GOE and the private sector. First, the EFS Project assisted with the formulation of laws and regulations that would permit a credit bureau and information system to be established. The EFS Project assistance helped create iScore, a credit scoring system that is operating in the private sector. A key issue that remains unresolved is the lack of availability of the system to non-banks, and especially to micro finance institutions.

This four part configuration of the EFS Project persisted operationally through late 2008, which is what both the EFS and the USAID term as the “Base Period”. In late 2008, the EFS Project entered into an “Option Period.” The focus of the EFS Project was on providing assistance for capacity-building at the newly constituted EFSA, an omnibus financial regulator of non-banks; merging regulation of insurance via EFSA; the mortgage market via the MFA; and capital markets generally via the CMA. The EFS Project assistance focused on capacity-building, including due diligence assessments of the points of commonality and the differences among the three EFSA constituencies, and the development of common standards for key control functions such as law and supervision.

In short, the implementation of the tasks under the EFS Project have required differing configurations of public-private sector involvement and variations to the proportions of technical versus judgmental inputs due to the diffusion of host counterparts. Interviews and meetings during the weeks of August 2 and 9 confirm that the EFS Project is still perceived as being a



task-activity, whether presented by EFS contractor or by USAID in Cairo, the consequences of which will be critically evaluated in Parts V-VIII.

## **II. DEVELOPMENT PROBLEM**

### ***Problem Statement***

During a period from roughly 2002-04, the USAID proceeded with the view that donor assistance might change the self-reinforcing, stagnant dynamic of a dormant housing market that did not cater to rising middle class aspirations. A view that was supported by donor analyses that confirmed general market stagnancy and a review of existing USAID projects designed to assist small to medium business development and capital markets. (Activity Approval Document, 5, 13). This gave the initiative an initial “Wall Street meets Main Street” emphasis, as applied to Egypt.

### ***USAID Intervention***

The “how” of USAID interventions became as important as the “what”, and the Activity Approval Document moves from a brief description of the mortgage market at the transactional level to a solution based on an institutional-legal approach. (Compare Activity Approval Document, 10 with Activity Approval Document, 14). Secondly, the USAID exhibited a tendency to blend the analysis of market conditions and problems with the capacity of state institutions to be responsive to it, property registration being an example. (Compare Activity Approval Document, 11 with Activity Approval Document, 15). Thirdly, when considering market activity, USAID focused on simply increasing the breath of financial instruments, with little advance analysis of demand in the local market, institutional capabilities and interrelationships. Fourthly, the USAID tended to look for institutions as the means for solving problems, as was the case with credit bureaus.

In sum, the USAID approach accounts for the profile of EFS project today:

- tasks
- activities
- formalized processes (for example, laws and regulations)
- institutionalization (including capacity-building)

The meeting between the Evaluation Team and the USAID on August 2 touched briefly on the issue of what the USAID termed “level of investment.” Multiple inquiries of the USAID and the EFS Project by the Evaluation Team resulted in the USAID presenting a brief, five line document on the level of investment question, entitled “Level of Investment by USAID in EFS Activities.” The document was basically a general budget, without explanations or footnotes. It appears to communicate information as to funding for technical assistance, procurement and training, with rough apportionments of 90%, 6% and 4%, respectively, against a total of approximately 32 million USD. This model, with elaborations, could be a factor in shaping future USAID assistance. Of course, the primary value of such a document would be in the event a project is considered that replicates the four task model of the EFS Project exactly. The Evaluation Team encourages the USAID to secure more detailed information and to carefully

analyze each of the four tasks according to a technical assistance-procurement-training breakdown in order to begin to fully utilize this framework.

In comparison, Part C of the contract with the contractor managing the EFS Project is closer to the link of tasks, activities and institutions that characterizes EFS Project history and USAID involvement.

### **III. PURPOSE OF EVALUATION**

The USAID called for a final evaluation of the EFS Project by a Request for Proposals (RFP) in August, 2007. The Mitchell Group, Inc. (TMG) responded (USAID Request for Proposal, August, 2008, TMG Proposal for USAID/Egypt Economic Growth Objective, September, 2007) and was awarded the contract. As noted earlier, the initial USAID request called primarily for an evaluation as to “whether the technical assistance and contractor performance was effectively designed to achieve the project’s goals and objectives.”

TMG based the evaluation on three criteria, which was approved by the USAID in a meeting on August 12th and used by the Evaluation Team. These are:

1. Policy Implementation – capacity of the project and counterpart end users to advance GOE/USAID strategy and, specifically, the extent to which the task/activity explicitly:
  - i. supports an important goal for economic development advanced by the GOE/USAID without significant additional administrative elaborations;
  - ii. produces palpable results, implementations, that unequivocally speak to that policy; and
  - iii. is managed such that the overall policy is foremost on the achievement of results and is publicly understood as such.
  
2. Adaptability – the ability of project outputs to:
  - i. easily support GOE policy formation;
  - ii. advance a succinct policy message up the hierarchy of GOE;
  - iii. demonstrate skills building and knowledge transportable to related reform efforts; and
  - iv. serve multiple GOE, donor efforts.
  
3. Sustainability – the ability of the project or its constituents to continue:
  - i. given resources – operational sustainability; and
  - ii. within adapting policy environments including issues of control and ownership - thematic sustainability.
  - iii. implementation of (i) and (ii) includes the ability to continue project efforts and to sustain achieved results after project completion

The evaluation confirms the importance of the criteria to the EFS Project. There is a task-activity emphasis to the EFS Project. Therefore, a return to policy roots is very much in order. As to adaptability, a number of relevant factors should be considered; among them are the consolidation of non-bank regulation in the EFSA on a vertical basis, and the horizontal

portability of the technological improvements of Mokattam. Sustainability is a large issue, since the EFS Project has been largely an initiative driven by tasks-activities to institutions. Yet, the tasks have been eliminated, and the beneficiary institutions reconfigured. Therefore, the analyses of Findings and Recommendations below will rest on the three criteria above.

## **IV. RESEARCH DESIGN**

The Evaluation Team reassessed the techniques of the specialists involved with the preparation of the Mid-Term Report. Among the changes in the environment since March, 2008 when the report was written are: accelerated progress in the area of property registration and the mortgage market; movement to a single financial regulator for non-banks through the EFSA; and continued donor assistance to the financial sector offered by the European Union and the World Bank. In different ways, each of these changes to the environment poses a challenge to a design predicated on the EFS Project's emphasis on pairing tasks-activities to targeted institutions such as the MFA or the REPD.

Even before the arrival of the international specialists on the Evaluation Team, TMG and the Evaluation Team undertook efforts to ensure that a fresh design approach would prevail. A new research design evolved from the following factors:

1. Evaluation Team Composition – the evaluation team features a blend of new members, combined with knowledgeable locals, who were involved in the Mid-Term evaluation. Together, the Evaluation Team represents a combination of perspectives from those with backgrounds in law, information systems, finance, social science and government service. All conclusions will be thoroughly vetted by the Team Leader and the Mitchell Group.
2. Verification – the USAID raised the verification issue in the initial meeting with the Evaluation Team on August 2nd. The Evaluation Team approached this in a number of ways, with cross referencing occurring in the following contexts:
  - documentary versus oral and anecdotal claims
  - interviews with multiple parties at different times and locations
  - exploration of the same essential; point with the same interviewee on different occasions
  - emphasis on differences between the EFS project specialists and counterpart representatives

The Evaluation Team endeavored to be inquisitive without being inquisitorial. In many cases, during interviews the Evaluation Team member examined the reason behind a question and most certainly allowed the interviewee an opportunity to provide clarification or an explanation. At all times in the verification process, team members emphasized the constructive role of the evaluation. It is the impression of the Evaluation Team that interviewees generally responded accordingly. Verification claims must rest on content focus and Appendix IX D contains more than a listing of the parties contacted and telephone numbers; it contains information about the subject matter discussed and is consistent with a policy of non-attribution in order to elicit the most frank responses to questions.

3. Testing Report Hypotheses and Assumptions – On August 2, immediately upon arrival, the expatriate members of the Evaluation Team consulted with USAID about the fundamental structure and premises behind the Final Evaluation Report. At that meeting, both the USAID and the Evaluation Team agreed to the structure of this Report, as it appears in the Table of Contents, as well as substantive questions and, most importantly, the three evaluation criteria. These criteria serve as the prism through which the Evaluation Team analyzed the Findings and Recommendations.
4. Task Management Exercise – the philosophy of the Evaluation Team was that the evaluation is more than a “check the box” for both the EFS project and the USAID. As the Request for Proposal stated: “The evaluation should also make recommendations regarding the applicability of this TA model, or adaptations of it, to other sectors in Egypt or to other USAID-assisted countries.” (Request for Proposal, 6). The Task Management Exercise endeavored to set forth efforts that were “outside the box” relative to the manner in which the EFS Project was conceived and organized. Near the conclusion of a two day presentation by the EFS Project staff during the week of August 2nd, the Evaluation Team posed questions about the four task model on which the EFS project has proceeded, and on which the EFS staff presentation was based. These were relative to:
  - managerial approaches to counterparts in the very early stages of administrative maturity (e.g. the MFA in 2004-05)
  - the etiquette of negotiated solutions with GOE counterparts and the role of short-term and long-term EFS project staff in such negotiations
  - a way of phrasing “lessons learned” that is not task tied, but rather designed to test the transferability of the EFS project staff’s management skills

Generally, the Evaluation Team found that the EFS Project’s management performed credibly in this regard. But the Evaluation Team also found that the nature of the responsiveness holds lessons for the formulation of other donor initiatives. There will be further reference to the Task Management Exercise of August, 2009 below. Appendix IX E reveals a bibliography of EFS Project documents responsive to the Task Management Exercise.

5. Identification and Sampling of Targeted Populations - The EFS Project has concentrated on capacity building across four broad, but interrelated areas. However, it is difficult to find large communities of end users. Mortgage makers may be counted on two hands, even though there has been a blip in property registration. Further, seasoned locals think this is unsustainable and note that the Western instrument of the “roundtable” or the “focus group” is not something to which the local community is accustomed, and it is most certainly not how the GOE operates. Sampling has, therefore, been selective and based on joint recommendation of the USAID and the EFS.
6. Evaluation Criterion – see explanation in III above.

The Evaluation Team phrased limits on its methodologies in the following order:

- 1) limited staff – in comparison with the Mid-Term Report, the Evaluation Team used roughly 40% of the level of effort to cover a longer and thematically more complex EFS Project effort.
- 2) time of year – the Evaluation Team encountered the “double whammy” of summer vacation and significant religious holidays. It covered both bases with meetings, but the lack of availability complicated planning and logistics.
- 3) EFS Project posture – much of the evaluation was necessarily archival, since the four pillars of the EFS Project were eliminated in late 2008-early 2009. Nothing can substitute for seeing an enterprise in action.
- 4) EFS Project surveillance – as noted, the EFS Project staff was most cooperative. Still, had time and staffing been extended, the Evaluation Team would have put more effort into securing engagements outside the orbit of the EFS Project.

Lastly, the different institutional landscape facing the Evaluation Team lead it to qualify the observations made in the Mid-Term Report. The evaluators for that effort made a statement as to methodology to which this Evaluation Team did not fully subscribe. The Mid-Term Report early on seemed to suggest correlation rather than causation. (Mid-Term Report, 2) This Evaluation Team was of the opinion that this was too fine a distinction for an executive decision-maker interested in resource allocation. We took a more operational view of causation. In reviewing the many activities undertaken under the EFS Project, the reviewers of this Report are urged to consider the following factors regarding the causation issue:

- 1) Targeted focus to underserved local counterparts – In many key instances, the donor assistance provide by the EFS Project has been virtually the “only game in town.” Task 2 property registration is an example. So too is Task 1 assistance in the mortgage market area. Interviews the week of August 2nd suggest that the delineation of assistance provided by the USAID on one hand and the World Bank on the other is not difficult to discern, and both donors deserve credit. Causation is thus less of an issue than one might expect.
- 2) Local counterparts in *tabula rasa* stage of development - Analysts of EFS Project’s activities should note that the EFS Project has not only represented a sole source of donor support, but was provided to local counterparts that are in infancy or the very early stages of institutional maturity. As interviews and meetings with the newly formed EFSA confirm, *tabula rasa* does **not** mean unsophisticated. Rather, it refers to the counterpart’s ability to ascertain needs at the institutional level, many of which are quite sophisticated. The Evaluation Team found ample evidence of EFS Project staff working side by side with local counterparts to ascertain and address needs, a real dividend to the practical tasks-activities approach. Both the EFS Project staff’s self-evaluation and independent interviews during the weeks of August 2nd and 9th in the capital markets corroborate this. Causation is thus less of an issue than one might expect.
- 3) The theme of providing and advising – The heavy information technology component of EFS Project is well positioned to establish causal links. There is no disputing the delivery of key systems. In fact, interviews the weeks of August 9th and 16th established that in the Task 2 property registration area, delivery was not only anticipated on the basis of

EFS, but was anticipated on a systemic basis as there were fixed expectations for system performance. The contribution of EFS local subcontractor QSIT is an example. Operating systems deliver tangible results. Causation is thus less of an issue than one might expect.

These are just some arguments supporting further analysis of the EFS Project as an effective donor initiative in the causal sense. Analysts of this Final Evaluation Report are encouraged to further examine the question in determining the next modes of possible assistance. Nor is causation an argument for a tasks-activities approach at inception of future follow on activities, though it may seem so. Quite the contrary, a policy based approach will enable analysts to examine alternate platforms to the successes of the EFS Project.

## V. FINDINGS

Although budgetary constraints resulted in the termination of some tasks in the second half of 2008, EFS staff presentations to the Evaluation Team the week of August 2nd were based upon the four part task-activities approach. The Evaluation Team found that EFS staff not only structured its presentations according to this four part structure, the description of the EFS project activities was almost entirely based on the support provided for each tasks. As to the project's results, the Evaluation Team invariably found that the EFS staff responded by providing more information about the activities. In fact, in the documentation for the EFS project, especially the Quarterly Reports, adhere to the task-activity format, with an identification of results and implications in the mode of an identification of "Key Results" areas, elaborated upon by "milestones" often, but not always, consisting of very precise incremental steps in the reform process, such as the identification of number of persons completing training, or the finalization of draft laws and regulations. Interviews and meetings the weeks of November 2, 9 and 23 revealed that the USAID has a complementary task orientation.

The Evaluation Team shares the EFS Project staff's orientation toward the activities approach since it has held the EFS project in good stead in terms of achieving significant successes in a number of areas. To echo the Mid-Term Report, these include:

- number of significant activities undertaken
- the variety of activities involving key financial regulators and economic ministries (especially in the Task 3 area of capital markets)
- sustained and ongoing support early in the development of the MFA to promote institutional viability

All of these efforts put a "brand name" on the EFS Project as a *bona fide* capacity-building endeavor. The Evaluation Team has reviewed the Mid-Term Report with some care, and then undertook the range of engagements noted in Appendix IX D. The Evaluation Team generally agrees with many parts of the Mid-Term report expressing satisfaction with the EFS Project on the basis of the activities implemented in timely fashion that provided "value added" to an end user. However, the Evaluation Team also opts for an approach based more on policy, than on an activity level. Among the reasons:

1. Need to replicate the EFS Project's successes – in effect; evaluation of the EFS Project's success invariably leads to the question of replication. Since the EFS Project supported a myriad of activities covering a wide number of local counterparts, precise replication of successes will be hard to achieve. Too many environmental factors change. Instead, successes are best “bundled” in a thematic sense, thus giving rise to a perspective at the policy level.

**Example:** salutary effects of accelerated mortgage activity increases national economic stability and active capital markets.

**Example:** increased transparency in real estate transactions through movement to a title system and a property register accelerates the development of a national collateral registry.

2. Inevitability of GOE Reorganization – The EFS Project activities and tasks, set forth in the PMP, were targeted at institutions such the CMA, the REPD and most certainly the MFA. The pairing of activities and tasks with institutions is, after all, a large part of the overall goal of capacity-building. However, in the area of mortgages, the MFA is being absorbed by the EFSA. In the area of property registration, the overall function requires significant inputs from the ESA, the MOJ and the MSAD. In such a mix, it is highly likely that authority and resource investment will change over time. With institutions constantly changing, the EFS Project's legacy can best be preserved through policies. .
3. Viability in the Medium to Long Term – as noted in the PMP, there is much to be said for a donor initiative that offers the most concrete, immediate results. However, the approach used to implement EFS Project activities and their results was admittedly based on “life-of-project indicators” whose shelf life is largely confined to the project. (PMP, 7) This Report, to the contrary, addresses the larger more sustainable goals, which is more useful to the policy-makers who are structuring new initiatives.

As a forward looking perspective, this Report deals in themes and results, less on institutional capabilities, as such capabilities are apt to change with time and local politics. Accordingly, Findings and Recommendations are directed specifically to the USAID, the GOE or other institutions, if there is an established “track record” or “footprint” in a given area of endeavor. Alternately, Findings and Recommendations may be cast to the broader donor community, acknowledging the opportunity for such factors as coalition-building, changes in donors and interim “bridge” assistance.

**Specific findings are as follows:**

### ***Task 1. ESTABLISH SUPPORTING FRAMEWORK FOR REAL ESTATE FINANCE INDUSTRY***

#### **A. Key Findings**

Task 1 of the EFS Project covers the real estate finance area. It is of particular importance since the overall project objective was to establish the market infrastructure for real estate financing,

and other forms of secured lending by providing assistance to develop the primary mortgage market for real estate finance.

The EFS Project was designed at an opportune moment, as major policies and related institutions, such as the MFA that were aimed at strengthening the real estate market, had just been launched and were in the process of being established.

In the area of real estate finance, the evaluation focused on the assistance provided directly to the MFA and contributions to the development of the mortgage markets in general. Since the mid-term evaluation is about one year old, the overall objective of this evaluation was not as detailed and consistent with the SOW. It is forward oriented.

It is our opinion, the benchmarks and goals of the EFS Project in the area of mortgage market development and assistance to the MFA have been substantially achieved. The activities completed by the Project will be of major value to the Government of Egypt over the long-term, and in particular to the developments of the primary and secondary mortgage markets.

There is clearly a strong sense of ownership on the part of the GOE, and this is discussed in detail in the body of evaluation. During the continuation of the Project very good communications were established between the EFS Project and the MFA as the counterpart. A good indicator of this is the fact that activities supported by the EFS Project have been adjusted to reflect the reasonable expectations of the counterpart. During the interviews with officials at MFA (now EFSA) it was confirmed that the EFS Project advisors providing technical assistance did not bypass the Egyptian officials responsible for the work, and the sense of ownership by the managers and staff of the institution was evident to the Evaluation Team.

The assistance provided by the EFS Project has been timely, the interaction between the advisors and the MFA in most instances has been good, and the quality of the consultants provided to the MFA in most cases has been acceptable to the counterpart.

The technical assistance approach of the EFS Project has been based on partnering with the MFA and USAID in conducting the assessment, implementation and delivery of TA that meets the needs of the counterparts, and has proven to be successful. The EFS Project has adapted to changes in counterpart's priorities and market conditions and follows up on short-term technical advisor's work to support implementation.

The EFS Project's organizational and management structures have been very effective in supporting the MFA and providing assistance to the development of mortgage markets, in order to achieve the objectives and produce the outcomes the project was designed to achieve in the real estate finance area.

The design of the EFS Project recognized the importance of assisting the development of primary mortgage markets, and for simultaneously supporting activities for the development of secondary mortgage markets activities. While Task 1 provided support to the MFA and development of the primary mortgage markets, Task 3 supported the development of new financial instruments. Such an organizational structure within the same Project allowed for



coordination of crosscutting activities, which were very important to coordinating the support to the EMRC, preparing the required legislation and providing the necessary technical assistance in both primary and secondary markets.

The implementation by the EFS Project has been successful. The TA provided to the MFA and contributions to the development of the mortgage market are evidence of a successful effort. In reaching this conclusion, we have also examined the respective parts related to Task 1 of the EFS's Performance Monitoring Plan (PMP), including the Project Results Framework, Project Intermediate Results and KRAs. We found that project deliverables in the area of real estate finance are tracked by the KRAs, and provide a transparent and efficient means to confirm that the deliverables required in Section F of the contract have been satisfied.

In our opinion, the EFS Project's activities in the real estate finance area have been adequately coordinated with other activities implemented by specialists in promoting the private sector, other USAID offices and other donors. For example, the World Bank and IFC assisted the EMRC by providing liquidity in the mortgage markets. The EFS Project coordinated with the World Bank and IFC to assist the EMRC develop a business plan, provide opinions on the bylaws, and develop regulatory guidelines. They also helped implement the second-phase regulations for EMRC by developing training programs in examination methodology and prudential reporting which resulted in the first on-site inspection of EMRC. Also, when it was determined the EFS Project could not fund the national educational campaign; a proposal was made to form a communication committee incorporating EMRC and mortgage lenders (banks and mortgage finance companies) to fund the campaign. Since EFS Project was not allowed to provide funds to private sector companies, it played a proactive role and managed to respond to the needs of the counterparts by providing assistance in several matters such as: collaborating with the MFCs efforts to form a consortium to bid, issuing requests for proposals detailing MFCs requests, inviting 5 software vendors to come from abroad to present their software to the MFCs and MFA, discussing the received proposals with the MFCs, and contacting the vendors to further negotiate cost reduction.

With regards to the relations with the main counterpart MFA, the EFS Project has operated in an open, participatory and mutually respectful manner. The interest and cooperation from the counterpart in the use of technical assistance provided by EFS Project to the MFA grew with the changes to the EFS Project's leadership in the middle of 2007. This was a turning point on improving the relationships with the MFA (this fact was communicated to us in several meetings with donors, former MFA officials and other counterparts). The current management of the EFS Project has continued in like manner, and has a very good, collegial and participatory relationship with the current single financial regulator EFSA.

## **B. The Impact of EFS Project Contributions to Development of the Mortgage Markets**

One of the main questions posed by the Scope of Work is to evaluate the contribution of the EFS Project to the advancement of the mortgage markets. The approach followed by the Evaluation Team to make such an evaluation was to assess the current stage of the development of the primary and secondary mortgage market, compare the present situation with what existed at the start of the EFS Project, and evaluate to what extent the market progress in these areas could be

attributed to the contributions of the EFS Project. An evaluation of strengths and weakness in the mortgage markets was carried out by interviewing a large number of the real estate finance industry stakeholders, including institutional and private sectors players. A group of people with a broad perspective on the market and knowledge of the contributions of the EFS Project was identified and interviewed. This group included representatives of the government sector such as the current executives at the EFSA, former MFA executives, representatives of the CBE, all of MFA department heads, representatives from the private sector such as mortgage finance companies, banks, mortgage finance associations, and other donors such as the World Bank, the International Finance Corporation and the European Union among others.

The unanimous conclusion was that the mortgage markets have developed tremendously from their humble beginnings of just few years ago and the EFS Project deserves credit for being one of the main catalysts for bringing much needed expertise for development of a new market. This conclusion was reinforced to the Evaluation Team several times, as interviews the week of November 2 confirmed the significant achievements of the EFS Project and its direct impact in the development of mortgage markets. These interviews supported the view that the EFS Project continues to provide technical assistance in the mortgage markets area based on proven results, good contacts with the counterparts, coupled with the fact that assistance from other donors for this important area is missing.

To put this into perspective, at the start of the EFS Project, the mortgage markets were almost nonexistent. There were no mortgage finance companies (the first one became operational in 2005), the MFA had only three employees, including the Chairman; there was no mechanism for obtaining long-term financing in the mortgage industry; rules and regulations were inappropriate or non-existent; and the volume of mortgage loans was lower than EGP 16 million.

At the time of this evaluation, there is a mortgage finance regulator in place being merged into the new single financial regulator, the EFSA, which also includes the CMA and the Egyptian Insurance Supervisory Authority. The EFS Project provided all of the necessary assistance, and as a result of its support the MFA has been effectively institutionalized.

Currently, there is a liquidity facility, the EMRC, which provides liquidity to mortgage lenders for long-term mortgage loans. With assistance from the EFS Project, the law and executive regulations for securitization were drafted, asset-backed securities issued, as well as the executive regulations for securitization companies.

There are improvements in the legal and regulatory infrastructure which regulates the mortgage markets and housing finance due to assistance provided by the EFS Project. The assistance was channeled through the Supreme Legal Committee, which was established in cooperation with the MFA.

Finally, from only two MFCs established in 2004, there are currently eleven mortgage companies and twenty four banks participating in the mortgage markets, and the capacity building efforts of the EFS Project have assisted them to develop new mortgage products in an area where the expertise was almost nonexistent prior to the start of the EFS Project.

As of June 2009, the total value of mortgage loans originated by mortgage finance companies was EGP 1.3 billion (source the MFA), whereas the total value of mortgage loans originated by commercial banks stood at over 2.2 billion (as of March 2009 – according to the latest figures provided by the CBE). The figures speak for themselves, and represent a huge accomplishment, given the short time and the fact that everything started from almost ground zero. But much more remains to be done.

To summarize, in the view of the Evaluation Team, such tremendous achievements and developments of the mortgage markets and housing finance have been advanced effectively through the technical assistance provided by the EFS Project in two directions: first, to the MFA as the regulator, and second, to the development of the mortgage markets.

Much has been achieved through USAID assistance and the EFS Project's success, but the key feature for the future is to not let these achievements falter, but to continue to provide the necessary and much needed support to the mortgage markets in Egypt.

### **C. The Impact of EFS Project Assistance to the MFA and Sustainability Issues**

Below, there is a detailed review of the results of the technical assistance provided by the EFS Project to the main stakeholder MFA. The goal was not only to list the technical assistance provided, but with a critical review to see how it benefited the MFA to assume and carry out its role as the regulator. Also, the goal was to determine how the EFS addressed the sustainability issues. The approach followed to evaluate how the EFS Project has addressed the sustainability issue was to review whether the building blocks, legal and institutional requisites for a vibrant market place are in place.

The MFA was organized under the Ministry of Investment and served as the primary government agency for the development of the housing finance market in Egypt. In late 2005, the MFA was reorganized and its mandate as a developmental agency for the real estate finance market has become more fully realized.

The mission of the MFA was perceived to incorporate more than the role of a regulator for non-bank financial institutions, and, as such, the EFS Project actively concentrated much of its support on this agency's multi-faceted mandate as: the supervisor and regulator of non-bank mortgage lending institutions; the lead agency for the development of a long-term housing finance market, providing greater access to mortgage-based finance to the low and middle income people; and, the principal driver and lead government agency for the coordination and the advancement of the housing finance industry.

The EFS Project has been successful in assisting the MFA in its efforts to reach the ultimate goal of becoming a self-sustained market regulator. With the start of the EFS Project technical assistance to the MFA in 2005, the institution operated as a licensing entity or a registrar. The EFS Project assisted to convert MFA into a regulatory body as mandated by its incorporation decree, and ensures a sustainable efficient operation and an ongoing growth. As of August 2005, the EFS Project has implemented an assistance development plan starting with the Functional Organizational Structure that enabled the MFA to carry out its mission as the regulator.

Furthermore, the Project has successfully supported a capacity building program for the MFA staff which included: English language basic and intermediate courses for over 80% of the staff; IT basic knowledge (including Microsoft Office applications) for more than 80% of the staff; specialized technical English language course (mortgage and financial terminology) at the basic and intermediate levels for over 20 of the staff; an IT specialized course for three selected employees to become IT support staff and build the IT department; a management course, communication skills and presentation skills workshop to senior staff of the MFA staff; a customer services skills to MFA junior staff; specialized technical courses to regulatory staff with the participation of MFA training coordinators and research team (Shorebank, Mortgage Bank Association course I, mortgage finance to banks, brokers course); and participation in the Wharton International Housing Finance Program, where selected groups have been sponsored four times in order to cover top management, and the regulatory team.

The EFS Project has supported a number of Training of Trainers of technical courses to include members of the MFA's second line staff to ensure the sustainability of maintaining and updating the courses as seen appropriate by MFA staff after the EFS project ceases to exist, and also to be able to manage the licensing exams for mortgage professionals.

Currently, the MFA's supervisory team is independently conducting at least one annual on-site examination for each operating company, along with limited scope examinations, to follow up on recommendations and corrective actions. Such a great achievement is the result of the EFS Project's support for the implementation of the MFA's regulatory functions and supervisory role.

The MFA's supervisory role was idle until the EFS Project developed a manual for supervision for mortgage activities according to best international practices, and in compliance with local laws and market needs. The manual covered the necessary components with a comprehensive explanation, including examination programs and review questionnaires. Following this effort an Examination Program for Risk-based Supervision to supervise lending activities was developed.

The manual was later summarized, and translated into Arabic to be used as the main and sole reference for Egypt's mortgage supervision. The manual was followed by an actual examination of the two mortgage finance companies where the EFS Project advisors were physically present with the MFA team to coach and supervise the on-site examination. In the Team's view, all of this has been carried out most successfully with concrete results in achieving sustainability.

At present, the MFA regulatory and licensing teams are solely responsible and able to extract market indicators and mortgage analysis using RIMS. The market trends are published every quarter on the MFA website. This was made possible after the EFS Project supported the development of mortgage companies reporting requirements for off-site supervision, which were also integrated to the RIMS. Also, on-the-job training was provided to the MFA supervisory and licensing teams to be able to analyze and use mortgage data reported by MFCs in preparing market trends and mortgage indicators.

The MFA's supervisory teams, independently and without any assistance from the EFS Project's advisors, are currently able to perform off-site monitoring and inspect the liquidity facility the

Egyptian Mortgage Refinance Company. This was made possible after the MFA regulatory team received extensive technical support provided by the EFS Project, starting by developing Regulatory Guidelines for the Egyptian Mortgage Finance Company (phase I and II), as well as an Examination Program.

In the same context, the EFS Project developed supervisory guidelines to be used in monitoring the appraisers and mortgage brokers operation, as well as special examination programs. During our interviews with mortgage finance companies we were told that this helps to ensure the credibility and sustainability of MFA's supervisory role over regulated mortgage professionals.

The EFS Project has been successful in its efforts to fully automate the MFA, and presently the MFA is able to independently operate its own system. The EFS Project procured and transferred all of the needed IT equipment such as servers, desktop computers and laptops to the MFA. Also, the EFS Project furnished and equipped the MFA training lab with a tripod screen and all of the necessary equipment to conduct training. Furthermore, in addition to the network installation, the Project provided the necessary software and the appropriate required licenses (MIS, Archives, RIMS, and Online Exams).

As a direct result of the EFS Project's technical assistance that was provided in the IT area, the MFA currently owns and independently operates its IT systems and networks. The Ministry of State for Administrative Development (MSAD) acknowledged the MFA as the first fully automated government authority, and the Prime Minister awarded MFA the best governmental site in Egypt award.

At MFA's request, in early 2007 the EFS Project designed and implemented an extensive capacity building plan for public relations and communication specialists. Over a period of one year, the EFS Project team provided on-the-job training to the MFA communication specialist so that some of the public awareness activities for the MFA could be handled internally. As of the middle of 2008, the MFA communication specialist became completely self-managed, handling all MFA public relation activities such as news feeds to media, updating the MFA website, handling reporters and newspapers, follow up on the MFA call center, following up on the design of publications, and organizing the MFA's events/conferences.

The efforts of the EFS Project appear to have been successful in supporting the development of the appraisal profession and creating a self-sustained Appraisers Association. The EFS Project has provided technical assistance to the Egyptian Association for Real Estate Appraisers (EAREA) in an effort to further regulate the profession, and to provide appraisers with an introduction to international professional standards for their industry. In order to provide this Association with an upgrade on currently-accepted appraisal standards, the EFS Project engaged the US Appraisal Institute to assess the existing appraisal programs in the sector as a whole, and to recommend training programs that could be leveraged by the Egyptian market. The US Appraisal Institute, in cooperation with local appraisers nominated by the EAREA, conducted an assessment of the appraisal market to develop and localize course materials to fit the Egyptian market. Five appraisal training programs were developed and a Training-of-Trainers was delivered to EAREA members to create a cadre of local trainers who now have the capability to deliver these courses to industry professionals.

EAREA successfully applied for membership with the International Valuation Standards Committee (IVSC) and is now the only Arabophone association in the IVSC. EAREA is a well recognized association with a well developed yearly business plan, has operating offices with a paid staff, and a majority of certified appraisers in Egypt are members. Furthermore, the Association has been accepted by the government to represent the appraising industry in dialogue and advocacy activities. The EAREA Chairman, also serves as a board member of the MFA, since it is the regulatory body of the mortgage industry in Egypt and responsible for licensing and inspecting appraisals. However, more remains to be done in order to develop an Egyptian Supplement, which will be later known as the Egyptian Standard, so the Egyptian market operates under international best practices (see below “Future Developments in Real Estate Finance Industry” section).

In cooperation with the Ministry of Investments and the MFA, the EFS Project sponsored and provided support through its senior legal advisor to the Supreme Legal Committee (2007-08), which examined and resolved several important issues such as: legal requirements for integrating sharia-compliant products; EMRC finance contract; stamp duty exemption on EMRC transactions; registering mortgages for foreign investors; proper interpretation of the term “determined interest rate” in the mortgage law; regulations to increase the subsidy amount offered by the GOE guarantor and to adjust low-income brackets for beneficiaries; and regulations to allow mortgages by foreigners and Egyptians living abroad.

Also, the EFS Project has started to support efforts which need to be completed regarding the implementation of a plan for Certification and Designation of loan officers (see below “Future Developments in the Real Estate Finance Industry” section). When implemented such a plan would ensure sustainability of mortgage training and build trust in the profession. Furthermore, the EFS Project has already delivered assistance to help establish specialized training curriculums, instructor manuals, student guides, question banks for exams, and classroom presentations.

A summary of the preceding explanations and elaborations is that EFS provided meaningful and substantial assistance:

- to the MFA in its regulatory capacity
- to the MFA in terms of skills and capacity building
- to the EAREA in terms of skills and capacity building

Item 1 in Preliminary Findings assesses the effectiveness of such efforts.

**In final conclusion**, in the Evaluation Team’s opinion the EFS Project has been successful in providing key support to the MFA in its efforts to reach the ultimate goal of becoming a self-sustained market regulator and contributing to the development of mortgage markets. The assistance provided was highly valued by the counterparts in the great majority of cases, and was directly relevant to and applied by the MFA.

## ***Task 2***

Paradoxically, the pilot project at the property registrar's office at Mokattam in southern Cairo could spearhead a sweeping national reform that affects one of the nation's most valued resources: land. The Mokattam effort evolved from a deed recording system to a titling system. Under this system, property registration, which is a regular and transparent administrative act, will make the registrar the conclusive determiner of a title. But, as the EFS Project demonstrates, information technology is essential to support that administrative determination.

The Evaluation Team believes that the Mokattam pilot project can be applied elsewhere. In interviews and field visits during the weeks of August 2nd and 9th indicate that the Mokattam pilot project should be examined for three perspectives:

1. Mokattam as a system that would automate a state function by eliminating paper
2. Mokattam as a system that would provide a "one stop shop" service to the public. Interviews and meetings the weeks of August 2nd and 9th strongly suggests that the pilot has led to a reduction in legal disputes and the "one stop shop" concept has great appeal. (The Evaluation Team noted that the "one stop shop" concept was not mentioned in Activity Approval Document nor the contractor's contract).
3. Mokattam as a system for bringing about legal reforms and a national titling system. A key report in this area indicates that the Mokattam pilot could provide the foundation for reforms that could provide for a comprehensive national title system. (Menelaws, Property and Registration Law, 15-16).

Note that statement 1 is a classification of task, statement 2 is a statement of institutional status and statement 3 is a statement of policy goal. The Evaluation Team found that most of the EFS Project advisors view most the efforts that have been undertaken can most easily be described under statement 1 or statement 2 above.

The Evaluation Team suggests that consideration be given to viewing Mokattam in the context of the broad national policy toward a title system, especially since there is support for replicating the Mokattam pilot in Alexandria. Interviews and meetings during the weeks of August 2nd and 9th suggest that Alexandria is indeed a logical location. The prospective Alexandria site is under the control of the MOJ and the physical survey work in the area has already begun. However, this should not detract from holding policy level discussions. It is critical to call attention to the merits of the system as part of a dialogue that will soon assume a national character. It is important to articulate a policy based message through a national policy platform for the following reasons: there is a need for continuous and close coordination between the ESA and the REPD, and the potential for the complex technological systems to malfunction, which would affect the system's credibility. This, in turn, would contribute to suspicion prevalent in Egypt's rural areas that land is a local matter.

Accordingly, in inverse order of the character of most Task 2 work to date, we present the following Findings, with a brief explanation by criteria:

## **A. Key Findings**

### **Finding # 1:**

Despite success at simplification of the property registration process, there is an asymmetry between the EFS Project's support at Mokattam, and the varied GOE efforts toward a titling system.

### ***Policy Implementation:***

Interviews and meetings during the weeks of August 2nd and 9th indicate that even Mokattam registration officials assume they will be given responsibility for titling, but would rely on the old deed recording system, such as deed references. While a review of the EFS Project's support reflects the importance of achieving the titling goal, most of Task 2 work focused on systems operations. Interviews at Mokattam suggest that the boundaries between the old and new systems may be blurred and a return to the originally enunciated policy perspective is essential for further implementation.

### ***Adaptability:***

Because of asymmetry, the Evaluation Team was not able to find a holistic management plan for the transition from an improved deed system to a title system that would integrate national economic policy at the registration office level. Instead, the highly technological nature of the Mokattam effort may be seen as an initiative in which step by step mechanics replace consideration of broader economic purposes. This puts policy at the mercy of technology, and precludes vertical mobility of a broad message up the chain of command within the GOE. And the absence of this vertical mobility may affect the horizontal mobility from Alexandria. Policy level considerations are important. For example, transparency brings middle income groups seeking mortgage financing into the registration system, while discouraging parties who do not need finance from participation, along with parties that prefer not to disclose their holdings. All the documents the Evaluation Team reviewed focused on the advantages of transparency, without discussing the advantages of privacy and confidentiality. Mokattam may be an operational success, but the underlying socio-economic characteristics of a district in Alexandria or elsewhere may preclude horizontal adaptability.

### ***Sustainability:***

Presently, in terms of operational sustainability, a move to titling rests on Mokattam systems, which EFS specialists have indicated is only 85% complete. Thematic sustainability and policy level discussion preparatory to applying the system in Alexandria will at minimum require a platform in the government that pushes for the reform for policy reasons.

### **Finding # 2:**

There is a lack of incontestable and permanent evidence of the success of the Mokattam effort due to absence of: (i) full technological capabilities at Mokattam; and (ii) significant consumer use of Mokattam.

### ***Policy Implementation:***

Mokattam's profile is that of systems integration and for a time it will derive its policy impact from its technological success. Yet, it is incomplete, as the system is only 85% tested. Multiple



interviews and meetings during the week of August 2nd and 9th also indicate that the connection between the ESA, the publicity office of the MOJ and the registration office has not been established, thereby increasing considerably the time for a certificate of title. The Evaluation Team was advised by several sources that a simple, relatively low cost Virtual Private Network will integrate the systems. Also, many consumers in the Mokattam area do not know about the initiative. These same interviews and meetings confirm that, apparently due to lack of capability by the REPD to fund a publicity campaign, the success story of Mokattam has not been told. And a critical mass of citizen use is needed to test Mokattam capabilities. In short, despite the large degree of systemic and technological success, Mokattam as a policy vehicle remains the proverbial “lamp under a bushel.”

***Adaptability:***

Immediate transfer of Mokattam to Alexandria will transfer complications as well as benefits. If systems in Mokattam remain untested and the citizenry has not widely used the system, capacity tolerances are hard to determine. Not only does this effect system implementation outside Mokattam, but it conveys less than ideal training message for Alexandria’s registration officials, who will want as many problems resolved as possible before transfer. Generally, any recording or registration system errors must be corrected before it is transferred. Otherwise, more pressure may be on the Alexandria since it would no longer enjoy Mokattam’s protection as a “pilot project” and be held responsible for working out technical glitches.

***Sustainability:***

A successful title system rests on the symbiotic relationship between technological predictability, accuracy and public confidence. Operational and thematic sustainability are merged. Optimal sustainability is attained only when both work in parallel; technology engenders civic use and civic use validates technology. For example, interviews and meetings the week of August 9th suggest that the deed number is currently critical in Mokattam to securing the parcel identification number and the certificate of title. Yet, the Evaluation Team was advised that this deed reference will become unimportant. Mokattam will be a sustainable title reform effort when such complications are eliminated.

***Finding # 3:***

There is a moderate to substantial danger of information technology systems failure at the Mokattam registration office, encompassing less than adequate physical maintenance, backup, and qualified human support, which threaten the ability of these systems to achieve replication.

***Policy Implementation:***

The Finding rests on a discrete visit and inspection by a highly qualified specialist on the Evaluation Team during the week of August 16<sup>th</sup> and the specialist’s views are generally consistent with the observations of other Evaluation Team members. As acknowledged by the EFS project in the Task Management Exercise, despite outstanding initial policy level work on title registration, the core of the EFS Project’s assistance has been directed to systems installation and function. At Mokattam, the media is the message. Policy credibility is largely technology dependent. The Finding is thus a policy level comment demanding attention.

***Adaptability:***

As a technical and public relations matter, transfer to Alexandria depends on the proper maintenance of the Mokattam system, the proper completion of the application software and the connection between the ESA and the REPD publicity office. Failure to replicate the system in Alexandria would also represent a failure at the horizontal level that would obviously jeopardize taking Mokattam up the policy chain as a success story.

### ***Sustainability:***

During the Task Management Exercise, EFS Project experts pointed to key systems that are driving the Mokattam effort, most are in the intermediate stage of development. These key systems must become operational in order for Mokattam to be sustainable from the operational view.

### ***Task 3 Secured Lending and Financial Instruments***

This task is alternately viewed as the “capital markets component” of the EFS Project. The reason, as noted in the Activity Approval Document, for this task is to advance the overall goals of capital markets development in a cumulative fashion, though the promotion of various instruments and capital markets activities such as debt obligation, leasing and mutual funds. USAID was careful to distinguish this approach from a holistic assistance to capital markets, perhaps as economic engines in their own right. (Compare Activity Approval Document, 8, 13, 15 with Activity Approval Document, 13).

In addition to the nature of the EFS Project tasks, capital markets are, and should be, a dynamic and changing environment. Interviews and meetings during the weeks of August 2nd, 9th and 16th confirm that the EFS Project’s management is justifiably proud of the fact that the EFS Project could respond on an “as needed basis” to requests from the CMA and parallel private sector constituencies in such significant areas such as derivatives, asset backed securities and short selling.

The Evaluation Team observed that now is the time to seek greater policy level access based on this good EFS reputation. As an operational and functional matter, the regulatory capacities of the former CMA are undergoing scrutiny as this capital markets regulatory function is absorbed in the EFSA as a non-bank financial regulator. Interviews and meetings the weeks of August 2 and 16 confirm this.

Consequently, consideration of efforts to assist the EFSA demands a forward looking perspective. And here, the Evaluation Team finds the news positive on two fronts. First, as

#### **HIGH STAKES, BIG RESULTS**

The use of short-term assistance by a project is its own art. Unfortunately, due to lack of proper preparation and diagnostics, advice from short-term experts is often cast by the wayside, due to lack of coordination and follow up. EFS in capital markets managed successfully the exact opposite with:

- high level preliminary discussions with CMA Chair
- responding by proposing former general counsel of the United States Securities Exchange Commission
- as expat short-term consultant, ensuring local attention
- pinpoint issue identification in the scope of work
- thorough review of short-term findings by high level local experts
- successful negotiation between short-term expat consultant and local experts
- "win-win" incorporation of jointly developed consultant advice

emphasized by the Evaluation Team in its debrief plenary presentation at the USAID on August 24, the EFS targeted its assistance to the CMA either on the basis of specific capital markets audiences (e.g., brokers) or specific transactions, e.g., short sales. (EFS Presentation, Economic Development Through Mortgage Finance, 15). Interviews and meetings the weeks of August 2 and 16 confirm this. Secondly, because EFS efforts focused largely on micro level, the EFS did not spend resources on the execution of large policy themes (for example, leveling the playing field between banks and non-banks in the capital markets area, reform of the stock exchange). This is important, for such large picture issues are apt to be reconsidered in the reconsolidation of EFSA and its resources in any event.

Both trends place the USAID, traditionally interested in this area, in a good position to assist the EFSA, provided both parties deem such assistance beneficial. The question is where to start.

The question thus becomes whether or not the EFS Project's activities can be consolidated in parallel fashion, thereby offering a new donor initiative a new opportunity for broad institutional level impact in the role of directly advising on policy formulation.

### **Task 3 Finding:**

The range of innovative potential in Egyptian capital markets, coupled with the consolidation of non-bank regulatory authority in the EFSA, presents the challenge of significant regulatory gaps that a donor initiative, supported by the EFSA, might assist greatly in identifying and addressing.

#### ***Policy Implementation:***

Interviews and meetings of August 2nd, 9th, and 16th suggest that regulatory consolidation is likely to result in a diversion of resources "inward" as the EFSA takes stock of itself. The nature of the EFS Project assistance to the EFSA in the Option Period suggests this. (EFS, Single Financial Regulatory Authority, August 2009). Donor assistance can provide a vital stabilizing role as to the formulation of regulatory policy in such a context.

#### ***Adaptability:***

Interviews and meetings the weeks of August 2nd and 16th suggest that the EFSA may be embarking on new or expanded activities that can reconfigure the regulatory environment to make the EFSA a revitalized policy platform. Such activities may well be accelerated market monitoring (as opposed to simple enforcement) and risk assessment. A review of former CMA materials suggests these activities may have been in the offing (CMA, The Egyptian Capital Markets, and Chairman's Note). Donor assistance can be of significant help in building a policy articulation component to such key and new functions.

#### ***Sustainability:***

Interviews and meetings the weeks of August 2nd and 16th generally confirm the EFS Project finding that the capital markets area contains a great imbalance between the number of inspectors and the number of firms regulated. (EFS, Single Financial Regulatory Authority, Phase II Due Diligence, August 2009). In addition, in comparison with the areas of insurance and mortgage finance, capital markets offers a wider array of specialized institutions, such as brokers, dealers,

and the clearing facility. Consequently, thematic sustainability very much rests on operational sustainability.

## ***Task 4***

Of the four task components, this last has been the most targeted. It has been propitious. The EFS Project commenced at about the same time as the credit bureau function moved from the CBE to private the credit bureau iScore. This private sector bureau is now contemplating expanding into firm rating and the development of a collateral registry.

The EFS Project deserves significant credit for providing “ground up” assistance. The EFS Project provided critical assistance in the area of legal and regulatory framework. Of equal significance, the continuous assistance contributed significantly to a corporate culture in which sensitive consumer data is protected. The EFS Project reports suggest this, as well as the meetings held during the week of August 16<sup>th</sup>. (EFS Presentation, Task 4, 17-18). Substantial financial institutions throughout Egypt are members, including non-banks as well as banks.

As of 2007-08, iScore connection with micro finance institutions has become an issue. But by standard measures, iScore has been a commercial success and the EFS Project played a great role in its start.

### **Task 4 Finding:**

As a public spirited private sector institution, iScore has the resources to assist the micro finance sector, subject to negotiated adjustments.

### ***Policy Implementation:***

The origins of the credit bureau function can be traced back to the CBE. Further, interviews and meetings the week of August 16th indicate that the medium term growth of iScore demonstrates sensitivity to one great policy issue, sensitivity of consumer information. Thirdly, iScore has apparently traversed one of the great divides in the financial sector of any country: that between banks and non-banks.

### ***Adaptability:***

Serving the micro finance sector presents a challenge in horizontal adaptability. Many of the participants are non-governmental institutions that elude the classification of a finance institution. (Mishriki, micro finance institutions and the Egyptian Credit Bureau, 9).

### ***Sustainability:***

Interviews and meetings suggest that sustainability will rest on a “meeting of the minds” as to how micro finance institutions might afford to utilize the services of iScore.

## **General Remarks on Challenges, Opportunities in Transition from Base to Option Period**

**Finding:**

The EFS Project's activities during the Option Period, especially assistance to the EFSA, may have covered many of the same subjects as the Base Period, but from a different policy perspective.

**Policy Implementation:**

From the larger policy perspective, there is a distinction between the efforts in the Base and the Option Periods. The Base Period focused on advisory assistance to support general economic reform toward market principles. But as presented by the EFS Project staff, the advisory assistance provided to the EFSA during the Option Period might best be described as ground floor up, inward looking advice from the perspective of public administration, not economic policy.

**Adaptability:**

The transition from the Base to the Option Period went predictably well, largely to the excellent reputation enjoyed by the EFS Project.

**Sustainability:**

The new EFSA needs both operational and thematic sustainability. Interviews and meetings the weeks of August 2nd and 9th confirmed that the systemic approach to organization and administration offered by the EFS Project was well received. (EFS Presentation, Single Financial Regulatory Authority). This will contribute to operational sustainability, especially regarding the relations among the EFSA constituents in capital markets, insurance, and mortgages.

**PRELIMINARY FINDINGS**

The following is a brief summary of the Evaluation Team's views on these questions, using the language employed by USAID:

- 1. To what extent have the benchmarks and goals of the SOW of the base and option periods have been achieved?*

The Evaluation Team finds that benchmarks and goals have been satisfied, given the interviews meetings and the review of documents undertaken by the Evaluation Team, as documented in Appendix IX E. For mortgage markets, please "Supporting Framework for Real Estate Finance Industry."

- 2. How effective have the EFS organizational and management structures been in supporting implementation to achieve the activity purpose and produce outputs/outcomes? Special emphasis should be given to assistance provided to the Ministry of Justice for the establishment of the model registration office in Mokattam.*

The Evaluation Team finds that the organization and management structures of the EFS Project have succeeded well in delivering a number of relevant activities, including the Mokattam effort. That said, this Final Evaluation Report recommends at various places that the orientation of the EFS Project and similar projects be more inclusive of local, broad based policy concerns, rather than conformity to narrowly defined quantitative measures of financial market behavior.

For mortgage markets, please see Task 1, “Supporting Framework for Real Estate Finance Industry.”

3. *How has the implementation of the contract contributed to the streamlined procedures of registration and the reduction in time to register properties? Assess the efficiency of property registration in Egypt as a result of EFS assistance.*

The Evaluation Team finds that the contract has significantly contributed to a streamlining of procedures in registration, from the standpoint of the number of offices the registrant needs to engage. This said, the Evaluation Team finds that more careful analytical work needs to be done to reduce the number of steps in the Mokattam registration office.

4. *How has the technical assistance provided by the contractor contributed to the efficiency of the Mortgage Finance Authority as the regulator for the mortgage market? Training and automation should also be addressed.*

See Task 1 “Supporting Framework for Real Estate Finance Industry.”

5. *Have EFS activities been adequately coordinated with other activities implemented by PPS, other USAID offices, or by other donors? And what are the lessons learned?*

The Evaluation Team finds that the EFS Project tends to let its activities do the talking. As a result, ironically, the activity focus tends to isolate the Project’s successes and inhibit portability. A mechanism is needed both to export successes, and keep the Project focused on the overall policy objective.

6. *How has EFS technical assistance contributed to USAID policy dialogue, policy based cash transfer programs, and IL supported unit in MFA?*

Please see Task 1, “Supporting Framework for Real Estate Finance Industry.”

7. *How have EFS experts managed the compilation of data for the PMP and ensured their accuracy and reliability? Is the PMP data accurate and reliable?*

The Evaluation Team finds that the EFS Project’s experts compiled accurate and reliable data. However, the Evaluation Team finds that the EFS Project typically reports the data in static fashion, without interpretation that could be valuable and informative to policy formulation. For a constructive interpretation of such data, see Appendix IX F.

For mortgage markets, please see Task 1, “Supporting Framework for Real Estate Finance Industry.”

8. *Has the contractor managed sub-contractors adequately to ensure that results are achieved on time? Identify lessons learned.*

The Evaluation Team finds that the contractor utilized subcontractors largely on an “as needed” basis, speaking strictly in the technical sense. This said, the Evaluation Team also found that in dealings between the contractor and local subcontractors in Egypt, the latter have endeavored to play a very useful watchdog and oversight role. They brought potential problems, based on local perceptions, to the attention of the contractor. One lesson learned appears to be that when the local subcontractor plays this role, the contractor should listen carefully.

For mortgage markets, please see Task 1, “Supporting Framework for Real Estate Finance Industry.”

9. *How has the contractor addressed sustainability issues?*

The Evaluation Team finds the contractor particularly sensitive to what this Report terms operational sustainability. The Evaluation Team believes this is largely due to the tasks-activities orientation of the EFS Project. This said, the contractor needed a more consistent policy orientation, to identify opportunities for thematic sustainability.

For mortgage markets, please see Task 1, “Supporting Framework for Real Estate Finance Industry.”

10. *What are the recommendations of the evaluation team for the replication of the Mokattam registration office, in terms of place, time, mechanism, GOE involvement, and sustainability?*

The Evaluation Team finds that several conditions are needed to make the Mokattam reform transferable to another urban location, like Alexandria which is the preference of MOJ officials. Detailed explanations occur elsewhere in the Report, but include: (1) assignment by USAID and the GOE of high technical and policy priority to property registration so as to magnify the successes in Mokattam; (2) demonstrable efforts toward advising the Mokattam public of the unique opportunity afforded by registration, so as to build momentum before transferring the activity to Alexandria; and (3) significant information systems “housecleaning” for Mokattam is needed so as to ensure systems replication to Alexandria.

## VI. CONCLUSIONS

A summary of the foregoing is as follows:

- The Findings above vary, in terms of the degree of precision, and even for the same task, in the move from explicit ties to formal policy to what appears to be clear issues of implementation and technology.
- Yet, because of the tasks-activities character of the EFS Project, the Project's activities did forge the link implied in the original USAID model connecting mortgage market, property registration, capital markets instruments and the credit bureau.
- On the other hand, the same activities illustrated the different characters of each initiative. USAID assistance illustrated the diversity of the mortgage markets with its various constituencies, the intricacy entailed in property registration, the flexibility needed to deal with the array of capital markets considerations, and the delicate boundaries between public regulation and private initiative as to credit bureaus.
- The unique challenge of each task tended to reinforce isolation from the others, as each of the four features its own type of professional advisor, vocabulary, etc. (Example: though efficient property registration might prove a boon to the mortgage market, no Mokattam specialist interviewed during the week of August 9th spoke of mortgages in a broad sense, and other than as an instrument for scanning and input.)
- The Evaluation Team concludes that despite this seeming diversity, there is unity.
- The presentation of Recommendations will try to establish this unity, through policy level links, even as to seemingly minute technical tasks. As such, even if the core of the Recommendation seems mechanical and self-contained, discussion will proceed on such features as Policy Implementation, vertical Adaptability and carrying the policy message forward and upward, and thematic Sustainability.

## VII. RECOMMENDATIONS

### *Task 1: Mortgage Markets*

#### **FUTURE DEVELOPMENTS IN THE REAL ESTATE FINANCE INDUSTRY**

The goals of this Final Evaluation Report in the area of real estate finance are twofold: to focus and evaluate the overall performance of the EFS Project, and to assess the mortgage markets and make recommendations for what remains to be done in the future. The Findings and Recommendations of this Report are based on the results of a comprehensive review of housing finance system.

The main conclusion is that the housing market, which is a major driver of economic expansion and employment, is in its early beginning, but in a growth phase in Egypt. The primary mortgage market is underdeveloped and still very small relative to the GDP.



The total loans for housing contracted and structured with a long-term mortgage instrument have increased to EGP 3.431 billion (March 2009 Figures). While it represents a phenomenal annual growth rate and clearly indicates the depth of the demand for housing finance in the marketplace, it also shows much more remains to be done since Egypt is a big country and it is well understood that current totals remain well short of the GOE's stated goals.

Financial institutions are constrained by the lack of longer-term resources necessary to fund long-term mortgage products. Furthermore, there is a lack of the necessary competencies in residential mortgage lending operations, including a lack of standardized mortgage lending policies and procedures.

In our opinion, it is essential that USAID continue to provide support to the development of the mortgage markets for the following reasons:

- Still a very young market which until a few years ago was almost nonexistent;
- The creation of the EFSA is a turning point and it remains to be seen how effectively the structures of different regulators will be integrated and the effect it will have on the mortgage markets;
- Challenges facing mortgage markets worldwide have been amplified by the financial crisis, and now is the time the mortgage markets in Egypt will need more technical expertise and outside assistance;
- There is a growing interest among banks to start expanding their residential mortgage operations. The National Bank has just announced a EGP 10 billion mortgage loans program;
- It is among the priority areas for the Egyptian Government; and,
- The USAID is the only donor providing technical assistance in this very important area.

To summarize, the mortgage markets are still in their early stages and at a turning point. The key feature for the future is to not let the achievements falter, and to continue to provide the necessary and much needed support to the development of primary and secondary mortgage markets.

The primary aim of the review in the area of real estate finance was to identify capacity, regulatory and other gaps in the mortgage markets system, and to develop an appropriate action plan focusing on efforts needed to improve overall conditions for mortgage markets to develop and to allow low and medium income groups of the population to have access to financial resources being allocated for housing finance.

Below are the details of our key Findings and Recommendations of where TA is mostly needed on standardization, institutional capacity building and improvement of the legal and regulatory environment in the real estate finance industry. The Recommendations are based on the review and analysis of USAID's extensive experiences in promoting standardization in a number of financial institutions, and modernizing the legal and regulatory framework governing housing finance in emerging markets around the world.

#### **A. Standardization as an Important Capacity Building Issue**

- **Key Findings**

Currently there is no standardized mortgage lending in Egypt. The mortgage market is in its infancy. However, this provides an opportunity to draw from the lessons learned in other countries and implement the best international practices. Under international practice, the standardization of mortgages is a complex, well-developed process that contributes to origination efficiency and mortgage loan securitization.

The lack of standardization and uniformity in all critical areas of mortgage lending are among the key impediments to developing primary mortgage markets in Egypt. According to international best practices, mortgage lending is most efficient when mortgage loans are made in a standard form used by all. In this way, cost efficiencies are achieved, margins can be compressed, and affordability is improved.

It should be noted that standardization does not mean that individual lenders must adopt lock-step policies and procedures, but reasonably consistent practices should be voluntarily adopted. Third parties, including eventual investors, can then quickly and intelligently evaluate, compare and price loan packages offered in the market by different originating lenders.

The EFS Project started the process of assisting the MFCs in regards to standardized documentation. However, this is far from complete and more remains to be done to customize the documentation to the Egyptian laws, regulations, and specific cultural and religious factors of Egypt. Furthermore, little has been accomplished in this area in regards to reaching out and cooperating with banks, which are potentially the largest stakeholders.

In our opinion, the standardization should be carried out in several stages involving the mortgage finance companies and banks separately since these are regulated by different regulators, (potential counterparts of the USAID) respectively the EFSA and the CBE. Building on the previous efforts by the EFS Project the standardized mortgage loan documentation should be presented based on international best practices. Most importantly the model to follow in preparing such a mortgage loan documentation package should be such that it will be easier to customize to Egypt's specific cultural and religious factors.

In this instance, we would like to bring to the attention the mortgage tripartite agreement which is completely different from the two party mortgage loan agreement in other countries. Such a tripartite agreement which is regulated by Article 6 of Law 148 of 2001, takes into consideration the Egyptian political climate and local factors, and attempts to solve in an original way the issues facing Egyptian mortgage markets and perhaps other countries in the region. However, although the mortgage loan tripartite agreement is being implemented by mortgage finance companies there are legal issues with the other two mortgage tripartite agreement respectively the renovation and construction contract. All of these issues are very important for the standardization and should be addressed appropriately.

There is an awareness and understanding of the importance of completing such a task at the highest levels, but more needs to be done to educate and make aware the market participants on the importance of standardization.

Meetings and interviews the weeks of August 2, 9 and 16 with both bank regulators and banks confirm the importance of standardization across the board to banks as well as MFCs. In order to develop the secondary mortgage markets the assistance for development of the standardized documentation should be provided to the banks as the largest players. Therefore, it will create the necessary volume of standardized mortgage loans from both banks and MFCs, which is another prerequisite for the development of secondary mortgage markets.

- **Recommendations**

TA is needed in order to develop standardized mortgage loan documentations and procedures in accordance with international best practices that are adaptable to Egypt. The standardized mortgage loan documentations and procedures package will assist Egyptian banks and mortgage finance companies to develop standardized mortgage products, mortgage loan files and mortgage lending and maintenance processes with a view toward use on an eventual secondary market. It should be noted that such standardized documentations and procedures will help to develop the primary mortgage markets, but standardization is also a prerequisite for the development of the secondary mortgage markets.

In our view, such a large and important issue should be tackled in two stages: first with mortgage finance companies and then with banks (respectively the EFSA and the CBE as regulators). The advantage of such an approach is that mortgage finance companies are still in their early stages and it will be relatively less complicated to complete such an exercise. After creating such a standardized package, an action plan should be developed in cooperation with CBE and presented to the banking sector, taking their input, improving it and producing a final product. The main issue would be to create a standardized package and internal documentation which is applicable to and works in Egypt, given its specific cultural and religious factors.

## **B. Additional Institutional Capacity Issues for Residential Mortgage Lending**

- **Key Findings**

The conventional participants in the mortgage finance market which include among others financial institutions, mortgage finance companies, insurance companies, realtors and appraisers exist in Egypt, but these institutions need to improve their housing finance expertise. For example, banks do not have standardized documentation on mortgage lending policies and procedures, insurance companies do not offer the insurance products that are quite often necessary in mortgage lending, and are not using uniform valuation appraisal standards for mortgage purposes.

A functioning banking sector exists but banks lack the institutional capacity to develop a vibrant primary residential mortgage market. Financial institutions are constrained by the lack of longer-term resources necessary to fund long-term mortgage products. Moreover, there is a lack of the necessary competencies in residential mortgage lending operations, including a lack of

standardized mortgage lending policies and procedures. The following are the main problems associated with residential mortgage lending by lenders:

- Lack of long-term financing sources to fund mortgage loans;
- Incomplete or non-existent internal standard procedures and standard documentation for the complete mortgage lending process;
- Limited residential mortgage product line;
- Lack of effective mechanisms to assess risk related to mortgage lending; and,
- Bank staff lacks skills in this area.

Even though the necessary infrastructure is in place, the capital markets are yet to be tested and fully utilized to provide long-term funding to mortgage lender through mortgage backed securities (MBS) and other types of bonds. It is necessary to build on the existing capital markets infrastructure, so it can function effectively as an intermediary between investors and borrowers for long-term resources, as a key factor in the development of a nationwide system of housing finance.

The GOE established the EMRC at the end of 2005 to ensure that banks had access to longer-term resources and to stimulate residential mortgage lending. The purpose of this facility is to provide much needed long term funding to the mortgage market in the country through the participating banks to support their growth strategies and to reduce the systematic risk that arises from the mismatching between assets and liabilities.

With regard to sources of funding for mortgage programs, the financial institutions fund their lending activity according to the scale and the profile of their operations. Choosing the sources of funding and the utilization of funds are largely dependent on the internal credit policy of the banks and mortgage finance companies. The banks mostly use the deposits (long term deposits by individuals), place subordinate and ordinary bonds in local currency, raise funds from international markets by placing bonds.

The mortgage companies most likely in the future will issue bonds to fund their long-term lending programs. The issuance of bonds is a financial instrument commonly used in developed markets to fund mortgage lending operations and this will be tested in the future in Egypt. Most likely, the EMRC will be the first to issue bonds because of their shareholder base (the CBE is one of their shareholders).

It should be noted that housing finance is viewed as a potential key driver of the domestic financial markets through the eventual issuance of mortgage bonds and mortgage backed securities by housing finance lenders.

- **Recommendations**

1. EFSA Merger Plans Implementation. Assistance should continue to be provided to the single financial regulator, the EFSA, to successfully complete the merger. Such assistance in the near future should include assistance with drafting of the business plans, operating manuals and procedures, establishing the regulatory infrastructure that will be

required including divisions and departments, in amending laws, adopting all required executive orders, rules and regulations, adopting the current regulatory responsibilities to those of the single regulator, integration and expansion plan, human resources issues, defining job titles, and establishing a performance appraisal and review system and most important, develop and implement a markets integration and expansion plan. The EFS Project during the Option Period initiated efforts to support activities in this area.

2. Mortgage Regulatory Capacity. Support is needed in the area of improvements within the EFSA (Mortgage Finance). Further assistance is needed in order to further strengthen the capacity of middle management. Many of the highest positions in the MFA were filled with people from the banking sector who might return to the private sector. Accordingly, the focus of the technical assistance activities should be directed towards deepening and strengthening the capacity of the middle management of the EFSA (Mortgage Finance).
3. Develop mortgage related insurance products. Currently, there are neither title insurance companies nor mortgage insurance products. Efforts should continue to establish title insurance and mortgage insurance products. Having both would facilitate more efficient operation of the mortgage market. The EFS Project during the Option Period initiated a limited effort to support activities in this area.
4. Develop and activate collateral registry system. The work started by the EFS Project in the collateral registry area should continue and be completed. A collateral registry is very important to support the needs and objectives of the EFSA, MFCs, banks involved in mortgage lending activities, and the EMRC. Among other things, more easily facilitate loans by the EMRC to banks and MFCs that are collateralized by existing mortgage loan portfolios, and the issuance of asset-backed and mortgage-backed securities. The similar needs of others could also be served by such a registry, including commercial banks, leasing companies, and automotive finance companies.
5. Develop new mortgage products. In order to better access the market and broaden the customer base new mortgage products should be identified and designed for banks and MFCs, and be applicable to specific cultural and religious issues in Egypt. Based on our interviews in several banks and MFCs, assistance will be needed to help identify and design such products.
6. Develop capacity of mortgage professionals. The plan for certification and designation of loan officers and mortgage lenders should be implemented in order to ensure sustainability of mortgage training and build trust in the profession. Such work started with the EFS Project and it is important to be completed.

Efforts should continue to build strong, sustainable associations among mortgage-market participants that meet the evolving needs of their membership. The Egyptian Mortgage Association (EMA) serves the MFCs a few appraisers and mortgage brokers, but banks have not joined. Given its limited membership, it is offering just a few training courses and is not playing an active role. In the near future, the possibility should be explored for

the EMA to play a larger role for training, raising market awareness and other development issues, whereas the EFSA is focusing more towards its role as a regulator.

7. Develop a multiple listing system. Assistance should be provided to develop the multiple listing systems (MLS). The main advantage of the multiple listing service is that it allows every real estate brokers in the system to show all properties in the system to anyone interested. The sharing of such information about all properties available for sale or purchase is beneficial to both buyers and sellers, and it makes it easier for buyers to have a broader list of choices to the full range of available properties. By bringing more information to the real estate markets the MLS makes the markets more efficient, which in turn will further develop more mortgage financing activity.
8. Implementation and further improvement of existing regulation of appraisal professionals and real estate agents. The EFSA should be supported in its role as the single financial regulator to develop standards such as code of conduct and licensing requirements for real estate agents. Real estate agents should be recognized and required to be licensed by the EFSA.
9. Unified Appraisal Standard. Efforts to enforce a unified Egyptian Appraisal Standard should continue so the Egyptian market operates under international best practices. Additional assistance is needed to train the residential and commercial real estate appraisers building on the previous work performed in this area by the EFS Project in cooperation with the EAREA and the MFA.
10. Support EFSA and mortgage lenders in launching mortgage backed securities. The issuance of mortgage-backed securities should be an integral part of future technical assistance as it is related to the development of the secondary mortgage markets and it addresses the need for long-term financing in the mortgage market.

Support should be provided in the area of secondary markets so a “yield curve” could be developed for GOE securities. A yield curve for GOE securities would serve to support the fixed income markets through the creation of risk-free benchmarks of the sovereign borrower. Currently, there are no transparent price discovery mechanisms to support the cost of financing. If the markets are liquid and there is active trading, it will ensure price discovery and price the risk of other financial instruments. GOE bond yields could be used to calculate equity premiums and price most other securities depending on the bond market.

11. EFSA information systems integration and upgrading. Further assistance is needed by the EFSA to deepen its IT capacity by reviewing all IT operating systems, performing a gaps analysis and developing an IT consolidation, to analyze the IT system of the 3 Authorities merging into EFSA, and to propose and implement a plan to merge similar application on document management information system (archives), regulatory systems, regulatory information management systems, and enterprise resource planning as an expansion of the existing financial and administration.

## C. The Legal and Regulatory Environment

### ▪ Key Findings

The GOE has introduced significant measures to improve the housing conditions of the population through the removal of barriers to the development of the residential mortgage market. In 2001, the Law No. 148 “On Real Estate Finance” was passed, and a number of housing and mortgage-related presidential decrees and resolutions of the Cabinet of Ministers were adopted.

These were advancements, but a number of critical legislative issues remain to be addressed in order to further develop the primary residential mortgage market. One is the cumbersome and lengthy process for title and mortgage registration. Moreover, legislation governing other areas related to mortgage lending and securities market requires further refinement.

The analysis indicates that key regulatory deficiencies, directly related to residential mortgage lending, include the following:

- Fragmented and not yet complete housing finance legislation;
- Time-consuming, cumbersome and long procedures for mortgage registration;
- Underdeveloped procedures for repossession of mortgaged property; and,
- Major issue of implementation of existing laws and regulations.

During our interviews, with different interested parties such as MFCs, banks, and the EMRC several legal issues were raised in regards to changes of the Law No. 148 of 2001. Also, during last year the Executive Regulations of Law No. 148 of 2001 were changed twice and currently there are other proposals being circulated for additional changes.

The improvement of the legal and regulatory framework in the area of mortgage markets and housing finance will be an ongoing process as the laws and regulations covering these areas are being tested. There will be additional assistance needs in order to implement best international practices applicable to Egypt.

Currently, lenders are using the practice of signed checks. Frequently, the lenders (banks and mortgage finance companies) receive non-real-estate collateral such as personal checks in return for the value of installments. If the borrower defaults on its obligations, the borrower can be prosecuted. In the words of a mortgage finance company GM “why should I go to court to foreclose when I can go to the police station and receive the payment the next day?”

Such a solution might work in the early stages with a very low mortgage loans volume, but as mortgage markets develops and a much larger percentage of the population receives mortgage loans there will be an increased number of defaults and borrowers simply would not be able to borrow the money from relatives or other means. People will have to pay their loans. Threatening defaulting borrowers with a fine or jail will not solve the situation, and the only remaining option for the lender to recover his money would be foreclosure.

That is why the mortgage registration is very crucial because ultimately lenders should register their security interests so that they can have confidence in the priority of their claims as against subsequent purchasers in case of default and foreclosure.

During our interviews with mortgage finance companies and banks it was clear their special concern was to streamline and clarify the mortgage registration process. In the present situation, in most cases the real property intended to be pledged as collateral for a mortgage loan may not be legally registered. Since, mortgage finance companies and banks are currently performing the registration of the real estate, and thereafter, the registration of the respective mortgage, the development of legal procedures for collateral perfection becomes an important part of their internal procedures.

Currently, there is no Condominium Law in Egypt. The lack of condominium legislation has negative repercussions on housing finance and it should be part of creating an enabling environment for property development. Condominium housing represents a substantial portion of the potential market for mortgage lending in Cairo and it is the largest segment of the market. The new owners acquire ownership in the form known throughout the world as condominium—individual ownership of a unit and an interest in the common property (the entrance, stairways, roof, etc.).

When property offered as collateral to secure a loan is not properly defined and registered in the land registry, it is impossible for the lender to register a mortgage on the property. In a condominium, the apartment and the share of common property appurtenant to the apartment should be registered as a separately identified parcel of real estate, and the mortgage should be registered against that. Condominium Law provides for the respective procedures for such registration.

Demand for housing in newly developed apartment buildings is very high, but mortgage lenders are constrained from tapping into this market. The usual way is for the apartment buyers to pay installments to the developer who claim to not charge any interest, and the title is only delivered after the buyer has paid the whole amount of the apartment costs. The mortgage system is bypassed. In addition to providing for the establishment of condominiums as a form of real estate, a Condominium Law also should regulate the activities of developers, by providing for the shift from developer to owner control of the building, warranties against construction defects and preparation by the developer of proper legal documentation for registration of the property.

#### ▪ **Recommendations**

The GOE will need TA to strengthen the legal and regulatory framework in the following three areas: housing finance, mortgage registration/collateral perfection, and condominium law development.

The GOE should identify and remove the obstacles that are preventing the efficient development of a vibrant housing market in the following areas:



**Housing Finance:** The focus will be on the development of the primary housing market, including supporting legal and regulatory reform in the area of mortgage registration, as well as residential mortgage lending. The review will also focus on proposed streamlining mortgage registration processes, cooperation agreements among parties and legislative amendments as will be needed to Law No.148, its Executive Regulations and other related Laws in the area of housing finance to ensure that the governing Laws will be able to achieve their objectives.

**Mortgage Registration/Collateral Perfection:** The assistance should focus on streamlining the mortgage registration process, to identify the different steps involved in the collateral perfection and mortgage registration with a view to identifying the obstacles that prevent efficient mortgage registration, including unwarranted delays and expense. Also, assistance should be provided to the mortgage finance companies (banks) to develop legal procedures for collateral perfection, which is an important part of their internal procedures. To summarize, the assistance in this area should be twofold: to the GOE to improve and streamline mortgage registration procedures, and to MFCs (banks) to improve accordingly their internal procedures.

**Condominium Law:** Assistance is needed to set an enabling environment for property development including rental and for sale housing. Such assistance will provide a legislative reform that addresses the creation of a condominium law and/or amendments to existing related rules and set the proper regulatory framework regarding registration, ownership, management and maintenance of rental or for sale property developments.

## ***Task 2: Property Registration***

### ***Task 2, Recommendation #1:***

The USAID should create a project devoted exclusively to title registration and, on a parallel course, the GOE needs to bring the issue of the Mokattam titling reform to the Cabinet of Ministers level and to, at a minimum, bring ESA employees in registration offices within the exclusive supervision of the registration offices, as well as establish how government institutions will interact to expedite the move to a full title system.

### ***Policy Implementation:***

By the accounts of the Task Management Exercise with respect to property registration, tying Mokattam to the national title efforts was a key policy argument. Yet, as noted, the policy message may have been submerged by subsequent emphasis on technological integrations.

The concepts of parallelism and partnering are key to the Recommendation #1 for Task 2. The common idea is one of reconsideration and renewed commitment in light of the overall national goal of accelerated movement to a titling system. The validation of claims to property is clearly a key government interest and priority for stimulating commercial growth. But large questions of implementation remain. While neither the GOE, nor EFS, nor USAID questions that the Mokattam initiative has some value, its value in the large policy context is obscure. Interviews the weeks of August 9 at Mokattam and USAID comments in connection with the final drafting of this Report suggest that, while all agree that Mokattam represents to some degree a positive step in the move from a deed recordation system to title registration, the precise point of progress

is lost for want of context. For example, USAID comments to the draft Report submitted in last August move easily from, if not coningle policy and operational dimensions. USAID 1, E-mail of October 1, 2009, compares points 8 with II. 2 and compares II, 4 with II, 5. On the other hand, this present state of affairs provided guidance for the kind of high level comprehensive discussion called for in Task 2, Recommendation #1. Interviews and meetings, as well as review of comments, suggest that progress might be mapped:

- \*in terms of the degree to which reliance on the recordation system information is abandoned
- \*in terms of the degree of discretion accorded officials analyzing documents and other indicia to title or ownership
- \*in terms of the degree of organized interagency coordination as to steps toward a titling system (reflecting at minimum, survey, publication and authentication stages)
- \*as to deployment of donor assistance, a realistic framing of next steps given the factors above

All four levels, of course, entail different specialists. Hence Recommendation #1 calls for the highest level of coordination to ascertain the degree of progress at each level. It was the experience of the Evaluation Team in visiting the various stations at Mokattam to hear language of deed recordation interspersed with authority that would be appropriate in a titling system. It is time all dimensions be sorted out at the highest executive level of GOE.

Correspondingly, USAID, in parallel fashion, should respond recognizing the momentousness of this GOE undertaking. Doing so is the basis for the correct model, one of parallelism and partnership. As EFS work demonstrates time and again, this is a highly technical area, but one having immense policy consequences? Hence, Recommendation #1 calls for USAID to respond at the appropriate level so that project assistance not be subordinated to other reform considerations, however worthy. This does not mean a donor take over of the land records issue. To the contrary, an independently standing project devoted the land record issue would, in parallel partnership with the GOE: (1) match the initiative of the GOE in raising level of dialogue and attention; and (2) on the other end of the spectrum, at site and office level, provide more focused attention on the highly technical nature of the enterprise that has been Mokattam.

**Interviews and meetings the weeks of August 2 and 9 with every official of consequence in the area convey the same message: give property registration a loud, distinct voice by creating a separate project for it.**

### ***Adaptability:***

Regular discussion of this question at the higher levels in the GOE is critical. It will keep the title reform focus on the extension of Mokattam to other areas. Adaptability is maximized as employees are coordinated under one roof, that of the registration office, not the registration office and the ESA. There can be no true “one stop shop” in the internal administrative sense unless all employees function free of divided loyalties. Cabinet prominence will ensure this. Additionally, the Cabinet can resolve high level policy tensions that effect Mokattam’s horizontal portability, for example the reconciliation of EFS Project generated technology systems with those developed by the MSAD. On the physical side of title registration, movement to a uniform geographical information system would be a great boon to the provision

of public services and greatly increase economic efficiencies, promoting optimal adaptability of the cadastral system desired by Egypt.

### ***Sustainability:***

Simultaneous ratification by USAID and the GOE sends the most powerful of sustainability messages. The Evaluation Team found that the systems analysts and surveyors belong to a culture, the culture of title registration. It blends an intricate understanding of systems analysis and appreciation of the benefits of the cadastral system. And yet, thematic sustainability is key to operational sustainability. The Task Management Exercise suggests that without the grounding in the importance of the large effort to a title system, sophisticated and sound systems analysis and integration will fail. The policy vehicle is thus the Cabinet of Ministers, superintendent of MOJ, ESA and MSAD alike.

### ***Task 2, Recommendation #2:***

The USAID, in collaboration with the GOE, should condition any extension of the Mokattam effort to Alexandria involving USAID assistance on the Cabinet of Ministers and subordinate constituencies in the GOE taking all administrative and legal steps necessary to publicize the Mokattam reform thereby expanding local public use of the Mokattam facility.

**Elaborations on the direction of USAID and GOE actions are located in the Work Plan in Appendix IX C.**

### ***Policy Implementation:***

The EFS Project reports aggressive public outreach efforts in the area of mortgages, yet none as to property registration. (EFS, Economic Development through Mortgage Finance, 7). This is ironic. Interviews and meetings among new EFSA officials during the weeks of August 2nd and 9th find them wanting to avoid the conflict between the promotional and the regulatory roles. Why not find a policy platform communicating to the public that avoids the conflict? REPD officials can easily communicate a message in favor of both promotion and regulatory compliance: register now. As a local initiative, this would not be costly. It may entail something as simple as using billboards adjacent to Mokattam's main thoroughfares. But apparently, the REPD needs extra legal authority to do so. Interviews and meetings during the weeks of August 2nd and 9th indicate that the only missing connection is a politically powerful institution to take all means needed to ensure the publicity campaign. This policy broadcast platform is the Cabinet of Ministers.

This Recommendation #2 is not to be mistaken for a mere advertising campaign. Instead, it demands thought as to what is communicated to the public as to the nature of the Mokattam reform. Again, on the spectrum of deed recordation-title registration, the Evaluation Team found various articulations by various parties, speaking on various subjects ranging from reliance on deed system information inputs to articulations of administrative discretion. Thus, the three Recommendations of Task 2 need to be read in tandem, especially in considering any contemplated Mokattam-Alexandria transition.

### ***Adaptability:***

No registration system can lay claim to adaptability until it confronts the object to which it must adapt: the behaviors and tolerances of the public. Public use can move registration reform up the chain of discussion in the GOE. This is especially the case when registration is already an activity set for the national agenda. (Mitchell, *The Phasing of Real Estate Registration*, 1). As to horizontal adaptability, office to office, local evaluation team information technology specialists attest to the fact that more use is needed to validate the system, to make it adaptable for a venue other than Mokattam.

### ***Sustainability:***

In contrast to deed recordation, title registration is a legal act that speaks to the conclusiveness of title itself. The gravity of the registration act should, therefore, sustain the system in a way not true with deed recordation. Cadastral systems and title systems do not go necessarily hand in hand. However, of the two, the title system offers the best indication of public approval, thus perhaps sustaining movement to a cadastral system nationally. (Prosterman, *Relationships Among Cadastral Surveys*, 2). In this sense, the Mokattam public, more than any other segment of the Egyptian public, has within its control the thematic sustainability of the cadastral system.

### ***Task 2, Recommendation #3:***

As a further condition to expansion to Alexandria, the Mokattam registration office should conduct a thorough systems resources inventory focused on problem identification, and undertake to resolve all systems problems, whether at level of physical maintenance, backup and human resources support, supervision of which at identification and correction should be conducted by an independent auditor specialist for information systems technologies.

### ***Policy Implementation:***

The ability of a titling system to engender confidence rests on systemic means of resolving errors and discrepancies. (Murray, *Defective Real Estate Documents*, 367-407). This is at least as true in the area of systems technologies. Here, the Evaluation Team notes the apparent hesitancy for electronic registration, perhaps as a result of lack of complete trust in systems technologies. (Taylor, E-mail, August 15).

### ***Adaptability:***

Most obviously, the transfer of the Mokattam effort to Alexandria is horizontal. It is also vertical, as registration reform moves from “pilot project” up the chain in terms of policy prominence. For example, interviews the weeks of August 9th with key government officials suggest that the Mokattam success could get the attention of the Cabinet of Ministers, and such attention could result in resolving key systems issues, such as issues of systems jurisdiction between the MSAD, the ESA and the REPD.

### ***Sustainability:***

Certification by a neutral systems analyst that the problems at Mokattam have been rectified is the *sine qua non* of operational sustainability, which gives rise to the national thematic sustainability of the Mokattam effect.

### ***Task 3 Recommendation:***

The USAID should support an extensive Market Activation Inventory, directed to the EFSA, the goals of which would be to : (1) identify critical capital markets submarkets and assess levels of supply and demand for same; (2) conduct a target case study analysis of the five most significant financial instruments in the markets since 2004, with an analysis of the success, failure and adaptability features of each; (3) formulate five market to regulator comparative country studies on capital markets with similar profiles to Egypt's that have moved relatively recently to a consolidated financial regulator format, with attention to consequences and challenges; and (4) develop a roadmap for donor-EFSA policy level dialogue and advice.

### ***Policy Implementation:***

It is not clear to the Evaluation Team if the “as needed” incremental approach employed by the USAID that focused on financial instruments has resulted in a steady flow of consistent policy level advice to the CMA. Now is the time to adjust direction. Interviews and meetings suggest that the GOE received some World Bank advice on the shape of the omnibus regulator the GOE has created. USAID assistance could support the next step in elaborating on who can convey policy-level messages in Egypt's changing market environment. (The initiative need not be a USAID project, but may rather be an industry targeted needs assessment, preliminary to consideration of project formation).

### ***Adaptability:***

Interviews and meetings the weeks of August 2 and 16 suggest that the EFSA is in a state of reconfiguration of personnel and procedures. But markets, the object of regulation, do not wait. This is especially the case, as some interviews and meetings confirm, that Egyptian capital markets are not fully utilized as a public source of money, and a lot of financing is based on private arrangements. The recommended Market Activation Inventory can provide a valuable “first of its kind” donor product that serves as an anchor, both for gauging the Egyptian market and for lending needed discipline for parallel policy formulations by the EFSA. This furthers all varieties of adaptability, moving policy messages up and out to the market. In so doing, it may lessen the knowledge gap favoring the regulated over the regulator, a gap that exists in virtually all countries.

### ***Sustainability:***

As a donor and partner with the EFSA, the USAID may face the choice between again allocating resources into a project targeting capital markets, as one decade ago, or dealing with the markets incrementally, on an “as needed” basis. The Market Activation Inventory will enhance operational sustainability by providing a fresh view to newly realigned key personnel at the EFSA, and will be the foundation for thematic sustainability assisting in the development of long term policies. In so doing, it will avoid the trap attending predominantly “as needed” donor assistance efforts, a trap documented in the large collection of “Activities Planned” reported by the EFS Project for the capital markets area, at least some of which appears to have been interrupted by changes in the EFS Project’s configuration in late 2008. (EFS Presentation, Task 3, 14).

### ***Task 4 Recommendation:***

The USAID should support iScore in the expansion of its services to include firm rating and a collateral registry, conditioned upon development by iScore of a work plan for the integration of some microfinance institutions as iScore members, which plan might include resource pooling, partnering of such institutions with bank and non-bank members and training, both in and outside the country, as to how other countries have successfully managed such integration.

### ***Policy Implementation:***

Interviews the week of August 16th confirm that iScore is willing and able to undertake such public policy execution. Yet, business product expansion is also in its interests. The Recommendation treats both aspects.

### ***Adaptability:***

Inevitably, horizontal adaptability, extension of iScore down the Egyptian economy, will lead to an encounter with the non-for profit sector. (Mishriki, micro finance institutions and the Egyptian Credit Bureau, 9). Accordingly, training and sponsorship are designed to facilitate concrete dialogue.

### ***Sustainability:***

The *quid pro quo* between iScore product expansion and extending its “flagship” product further into the Egyptian economy is important. In a sense, the Recommendation ensures that iScore will secure operational sustainability through expansion of product line, as the USAID secures thematic sustainability of the credit bureau success.

## **General Recommendations on the Challenges and Opportunities in Transition from Base to Option Period**

### ***Recommendation:***

The USAID should take full advantage of the excellent capacity building done by the EFS Project during the Option Period in the EFSA by effectively advertising the importance of the Market Activation Inventory described above, as a mutually beneficial monitoring tool for the USAID and the EFSA.

### ***Policy Implementation:***

Interviews and meetings the week of August 16th suggest that the proposed Market Activation Inventory is an excellent compliment to the capacity building done by the EFS Project. The latter was geared to process. The inventory will be geared to the substantive aspects of regulation, and be a policy anchor.

### ***Adaptability:***

Among the themes emphasized by the EFS Project in the Option Period was consistency and continuity among the three regulatory constituencies housed by the EFSA. (EFS Presentation, Single Financial Regulatory Authority). The inventory will build on this trend. It will ensure substantive continuity by pointing out ways to strengthen monitoring and risk assessment, by a market focus.

### ***Sustainability:***

The proposed inventory will, short term, operate as an insurance policy that keeps EFSA focused on the target of regulation: the market. It has value in terms of operational sustainability. It also offers value long term, as the EFSA turns outward and seeks to refine its regulatory, monitoring and risk assessment capacities, functions that have been interrupted by the consolidation. (CMA, Capital Market Development Strategic Plan 2008-12).

## VIII. “LESSONS LEARNED” AND GAPS

### *General*

#### *Gap: Policy Approach versus Task-Activity Approach*

**Lesson Learned:** The USAID needs to reappraise the policy assumptions behind the EFS Project, with a view to updating. In particular, an independent policy study testing the validity of the connectivity of the four tasks and their interrelation would be useful. This is very much in order as recent USAID studies emphasize the fixed nature of the Egyptian dweller, yet the 2003-04 studies on which the USAID rested presented a more mobile, upscale Egyptian consumer and borrower.

(Policy Implementation: A USAID study confers policy ownership and enables questions supporting programmatic action. Adaptability: USAID has limited credibility unless it acknowledges that the four policy linkages achieve maturation differently through donor assistance. There is the market, and then those who need and participate in the market. It seems that USAID has targeted the latter, but its analyses should not ignore the former. Sustainability: The sustainability of USAID efforts in the long term rests on the ability of the project to grow and renew.)

### *Task 1*

Be proactive, responsive to the needs of the counterparts with a flexible work plan to find solution for the counterpart.

The EFS Project provided immediate assistance to the MFA and recruited a consultant to work from the USA to review a business plan for the EMRC and to develop an opinion on by-laws. Upon a request made by one of the first two MFCs, the EFS Project recruited a foreign advisor to assess the company’s credit policy and its work processing techniques. Recommendations were developed for both the first two companies, many of which were adopted by the companies. It adjusted its work plan to establish Banque Misr pilot mortgage unit upon the MFA’s request, and developed structure of the unit, functions and job descriptions, designed products and workflow.

### *Task 2*

#### **Gap:**

Effectiveness of overall policy message versus task level technology inputs

**Lesson Learned:** The USAID needs to ensure that, given the heavy technological cast of the Mokattam effort and EMS investment therein, the overall policy message of ultimate movement to a title registration system is not lost and that the Mokattam initiative resonates in the GOE as conferring high priority on reform, through such efforts as facilitating continual high level GOE focus on land record reform and orderly movement to a title registration system.



(Policy Implementation: Animate a dormant public to use Mokattam, thereby elevating policy significance. Adaptability: successful horizontal adaptability to Alexandria depends on strong policy support at the vertical level from public participation at Mokattam. Sustainability: the public support will only come to Mokattam if the systems prove tolerant for a sufficient number of registees thematic and operational sustainability fit hand in glove here.)

### ***Task 3***

#### ***Gap:***

Market broad policy perspective versus isolated “as needed” product emphasis

#### ***Lesson Learned:***

The USAID needs to balance responsiveness to host counterpart perceptions of need against the reality that any capital market is by nature in flux and demanding of responsiveness to itself, including responsiveness by regulators. A cornerstone of donor assistance, therefore, should be at a broad policy level, complementing attention to particular government and private sector needs.

(Policy Implementation: A policy anchor (like the Market Activation Inventory) is needed in this fast-paced environment, one targeted to both the reality of the current market and the policy formulation needs of the EFSA. Adaptability: the most adaptable approach for horizontal and vertical purposes is one at broad market level, in contrast to an “as needed” approach which is likely to yield some product content that is soon dated, or less than fully relevant to coming market conditions. Sustainability: a policy anchor from a donor can provide to the EFSA the operational sustainability and the thematic sustainability it simultaneously needs, as it casts much of its attention to internal reorganization.)

### ***Task 4***

#### ***Gap:***

Public policy demands versus private sector resources

#### ***Lesson Learned:***

The USAID has the happy task here of spreading a success story in the operation of iScore. The real challenge is establishing linkages in Egyptian society so as to confirm the stamp of creditworthiness on a larger number of Egyptians and Egyptian households.

(Policy Implementation: retention of the public spiritedness of credit bureau function, a legacy of the CBE administration of the credit bureau function, is critical. Adaptability: A strong message of support from the GOE will be of use in facilitating dialogues with microfinance institutions. Vertical adaptability will facilitate shoulder to shoulder dialogues of iScore with such institutions. Sustainability: as the “flagship product” of iScore, the credit bureau has operational

sustainability; the aim is to examine its thematic sustainability to a broader segment of the Egyptian economy.)

Note that in virtually every instance above, a broad policy emphasis faces a narrower emphasis. Consistent with the direction of this Final Evaluation Report, a greater policy emphasis is required to “fill gaps.”

## **IX. APPENDICES.**

- **Appendix IX. A**

### **EFS Final Evaluation Scope of Work**

The EFS project started in November 2004 and is expected to be completed by the end of September 2009. A mid-term evaluation of the project was carried out in early 2008. A final evaluation should be conducted in July-August 2009, when the technical staff is still engaged. Since the mid-term evaluation is about one year old, the overall objective of this final evaluation would not be as detailed. It will focus on the overall contractor's performance, effectiveness, and impact on the implementation of the EFS activities, with special emphasis on two main activities: (1) streamlining property registration procedures coupled with the establishment of a model registration office in Mokattam; and (2) development of the mortgage market and establishment of an efficient and modern regulator. Lessons learned during the implementation of EFS should be described, and possible areas for follow on activities, if any, should be identified.

Expected timing: July - August 2009

Team Composition:

The team will include: Team Leader, Institutional Specialist, IT systems expert, Financial Sector expert, and/or other specialties that would fulfill the requirement of the below mentioned tasks.

Scope of Work:

The evaluation team should address the following questions:

1. To what extent the benchmarks and goals of the SOW of the base and option periods have been achieved?
2. How effective have the EFS organizational and management structures been in supporting implementation to achieve the activity purpose and produce outputs/outcomes? Special emphasis should be given to assistance provided to the Ministry of Justice for the establishment of the model registration office in Mokattam.
3. How has the implementation of the contract contributed to the streamlined procedures of registration and the reduction in time to register properties? Assess the efficiency of property registration in Egypt as a result of EFS assistance.
4. How has the technical assistance provided by the contractor contributed to the efficiency of the Mortgage Finance Authority as the regulator for the mortgage market? Training and automation should also be addressed.
5. Have EFS activities been adequately coordinated with other activities implemented by PPS, other USAID offices, or by other donors? And what are the lessons learned?
6. How has EFS technical assistance contributed to USAID policy dialogue, policy based cash transfer programs, and IL supported unit in MFA?

7. How have EFS experts managed the compilation of data for the PMP and ensured their accuracy and reliability? Is the PMP data accurate and reliable?
8. Has the contractor managed sub-contractors adequately to ensure that results are achieved on time? Identify lessons learned.
9. How has the contractor addressed sustainability issues?
10. What are the recommendations of the evaluation team for the replication of the Mokattam registration office, in terms of place, time, mechanism, GOE involvement, and sustainability?

**Deliverables:**

End of week 1:	Outline of final report
End of week 3:	Annotated outline of final report plus briefing for USAID
End of mission:	draft report—complete with executive summary, tables, key findings, recommendations, conclusions, supporting documentation etc.—plus USAID exit briefing
Final report:	Submitted within two weeks of receiving USAID comments on the draft report

## **Appendix IX. B**

### **GLOSSARY OF TERMS**

The Evaluation Team intends that this Glossary elaborate on matters of local significance related to: (1) the conduct of the EFS Project; and (2) recipients of advice and technical assistance from the EFS Project. The listing below is brief. The purpose of each entry is to provide only the most essential information to better understand the Final Evaluation Report for the EFS. Readers seeking fuller explanations at legal, administrative, operational and transactional levels are urged to contact members of the USAID in Cairo as identified in Appendix IX D or to contact the institutions identified. The listing does not pretend to be exhaustive, and omission in no way indicates the view of the Evaluation Team that a given policy or institution is insignificant.

Cabinet of Ministers – an executive body of the Government of Egypt, the responsibilities of which include coordination of national policy initiatives involving more than one executive body of government.

Capital Markets Authority (CMA) - formerly a separate regulatory authority governing capital markets, now functionally under the Egyptian Financial Supervisory Authority and the subject of reconfiguration as a result of consolidation in the regulation of non-bank financial institutions.

Egyptian Financial Supervisory Authority (EFSA) - a recently created financial regulatory body concerned with non-bank financial regulation, particularly in the areas of capital markets, insurance and mortgages.

Egyptian Mortgage Association – a trade association of mortgage lenders largely concerned with enabling and expanding mortgage transactions in Egypt.

Egyptian Mortgage Refinance Company (EMRC) - a financial institution largely concerned with advancing liquidity in the Egyptian mortgage market though lending to banks and mortgage finance companies against existing mortgage loan portfolios.

Government of Egypt (GOE) - all empowered executive bodies of the Egyptian government, as constitutionally and legally understood.

Mortgage Finance Authority (MFA) - Separate regulatory authority governing mortgage finance, including but not limited to mortgage finance companies, now functionally under the Egyptian Financial Supervisory Authority and subject of reconfiguration as a result of consolidation in the regulation of non-bank financial institutions.

Real Estate Publicity Department (REPD) – a department under the management of the Ministry of Justice largely concerned with the documentation of real estate transactions and their transparent disclosure.

## Appendix IX C

### Work Plan

The Work Plan below illustrates how the various Findings and Recommendations in the Final Evaluation Report for the EFS will be implemented. It is not intended to be exhaustive, but is nonetheless suggestive of initiatives that USAID might undertake with the GOE and others in a structured, logical fashion - initiatives logical to the evolution and progress of the EFS. While aspects of the items below may have already commenced, the plan gives overall direction, integrating many aspects of the EFS that, perhaps, were not thought about earlier. As such, the order reflects a mixture of prioritization and feasibility, and the time sequence begins with calendar year 2010, which takes into consideration the need for this Report to be distributed and discussed.

#### January - July 2010

- Work continues at Mokattam, with appropriate identification and correction of systems problems
- The USAID and the GOE generally facilitate and commence execution of high level discussions, including the MOJ, the ESA and the MSAD, on the following aspects of land reform:
  - (1) precise identification of where Egypt stands in the overall move from deed recordation to title registration;
  - (2) detailed discussion on precisely where the following aspects of Mokattam fit into the discussion of (1), particularly at:
    - (a) national policy level;
    - (b) legal and regulatory level; and
    - (c) systems and office level;
  - (3) a detailed accounting of the requisites for extension, expansion of the Mokattam model elsewhere;
  - (4) the relation of mortgage registration to property registration generally, and parallel reform efforts;
  - (5) formal legal and administrative reforms needed for progress on (1)-(4); and
  - (6) the precise role of donor assistance as to the above
- The USAID takes appropriate initial administrative action to establish a discrete property registration project, concomitant with the USAID-GOE discussions noted above
- The USAID, the MOJ and related constituencies agree to a simple plan of public outreach aimed at increasing public use of Mokattam

- The USAID, in collaboration with the EFSA, launches a special task initiative for the development of the Market Activation Inventory, reviewing each of the components and developing a blueprint for proceeding with each
- The USAID reaches an understanding with iScore as to the types of technical inputs needed to proceed with product expansion, i.e., firm rating and a collateral registry, along with a plan of engagement for dealing with micro finance institutions
- The USAID provides essential information relative to international standards in the standardization of mortgage loan documentation to the EFSA regulatory unit on mortgages

### **July - December 2010**

- The USAID negotiates with the GOE preconditions for a "start up" of a discrete project devoted to property registration, including a "start up" date
- The USAID and the GOE jointly reach tentative findings and conclusions as to items (1) – (6) noted above on the issue of progress to a title system, mortgage registration, use of the Mokattam model, etc.
- The USAID and the GOE superintend completion of the Mokattam public outreach effort
- The USAID superintends the completion of a Market Activation Inventory and review by the EFSA
- The USAID initiates discussions between a newly formed regulatory unit in the EFSA for the mortgage market and officials at the CBE on standard loan documentation

### **January - July 2011**

- The USAID and the GOE jointly inaugurate a USAID project devoted exclusively to property registration, integrating technical aspects with a policy approach focused on advancing a national title system
- The USAID's new project on property registration commences with an understanding with the GOE that the extension of Mokattam to Alexandria is a first practical priority

- The GOE issues necessary official authority on dimensions of land record reform covering aspects of (1)-(6) as enumerated above
- The USAID and the GOE commence high level discussions on the place of title insurance and a collateral property registry in the overall land record reform initiative
- The USAID and the EFSA agree on policy implementation as to key aspects of the Market Activation Inventory
- The CBE and the EFSA reach agreement on key points of uniformity in area of standardized mortgage loan documentation



## Appendix IX. D

### SUMMARY OF MEETINGS AND EVENTS

The meetings noted below were held in connection with efforts of an evaluation mission consisting of Gary Kelly, Team Leader and property registration specialist, Arthur Dimas, Mortgage Specialist, Mohsen Alashmoni, Program Support Specialist from the local Egyptian firm Progress 2 and sundry local specialists from Progress 2. These specialists included: Hani Abu Hamer in the area of property registration and real estate, Ahmed Nour El Dien in the area of systems analysis and finance, and Hatem Younis in the area of Information Technology and Systems Auditing. The purpose of this mission was a comprehensive evaluation of the efforts of the USAID Egypt Financial Services Project (called EFS or the "Project"), commencing in late 2004 and scheduled to conclude on or about the end of September, 2009. The mission encompassed the period from August 2, 2009-August 24, 2009. Given the time constraints imposed on the evaluation mission and at the request of USAID, the focus has been on using EFS for the advancement of progress in Egypt's economic reform generally, whether advanced exclusively by the Egyptian government and private sector, or with donor assistance. Unless otherwise indicated, interviews and other events were held on the premises of the interviewee or participant. Pursuant to the articulated preference of the evaluation mission, those other than EFS staff were held off EFS premises. Wherever possible, telephone numbers and titles are included for interviewees, but are not repeated in the case of multiple interviews. Unless otherwise indicated, the language used by the interviewee was principally English. Lastly, in respect of EFS specialists no longer engaged, reference continues to be to former EFS capability, thereby explaining the reason for the meeting.

Events such roundtables and workshops are given special designation below.

Sunday, August 2, 2009

Ali Kamel and Ingi Lofti, Senior Economic Policy Advisor, Public and Private Sector Office, and Contracting Technical Officer, United States Agency for International Development, respectively (tel. 2522-6685) - The meeting lasted about two and one half hours. Messrs. Mr. Kelly, Dimas and Alashmoni attended. USAID specialists in attendance included those involved in project evaluation, the policy and private sector office, and the contracting roles, the latter both as to the evaluation mission and EFS. Among the matters discussed were: USAID views as to the contents and time frame covered by the Final Evaluation Report for EFS and the availability of key counterparts and documents touching on such areas as local mortgage markets, property registration, capital markets and the credit bureau.

Ahmed Hussein El-Sayed, Manal F. Shalaby and Ibrahim Sabri, Chief of Party, Senior Financial Advisor and Senior IT Advisor, respectively, EFS (tel.: 3762-6140) - The meeting lasted a bit over one hour. Messrs. Mr. Kelly, Dimas and Alashomi attended. Among the matters discussed were the identification of key counterparts for meetings, the identification of key EFS internal procedural documents needed and EFS project history.

Monday, August 3, 2009

Ahmed Hussein El-Sayed, Manal F. Shalaby and Ibrahim Sabri - The morning presentation lasted about two and one half hours. Messrs. Mr. Kelly and Dimas attended, along with specialists from the Progress 2 firm. The subject of presentation was EFS activity over the 2004-08 base period in the area of primary and secondary mortgage markets, with an emphasis on assistance to the Mortgage Finance Authority.

Ahmed Hussein El-Sayed – The afternoon presentation addressed EFS initiatives in the areas of property registration, capital markets and credit bureaus. Mr. Kelly attended, along with specialists from the Progress 2 firm. The presentation lasted about one hour and forty-five minutes. Among the issues discussed were the management of short-term specialists in capital market from donors, and the progress of efficiencies in property registration.

Manal F. Shalaby – An afternoon presentation included continued discussion of the primary mortgage market, with elaboration as to major private sector entities in that market. Mr. Dimas attended. The meeting lasted about two hours.

Nadia Moustafa, Operations Manager, EFS (tel: 3762 6140) – The meeting lasted about one hour. Mr. Kelly and a representative of the Progress 2 firm attended. Among the matters discussed were EFS-subcontractor relations, including a review of EFS subcontractor files.

Tuesday, August 4, 2009

Sahar Nasr, Lead Financial Economist, World Bank (tel.: 2574 1671) – The meeting lasted about one hour and fifteen minutes. Messrs. Kelly and Dimas attended. Among the matters discussed were donor assistance to the issue of development of secondary and primary mortgage markets in Egypt, and responses to these initiatives by the GOE.

Ahmed Hussein El-Sayed - The presentation lasted about two and one half hours. Messrs. Mr. Kelly and Dimas attended, along with specialists from the Progress 2 firm. The subject of presentation was EFS activity over the 2008 option period. Among the issues discussed were the adoption of international accounting standards by Egyptian government bodies, and the self-financing thereof.

Ahmed Hussein El-Sayed – The presentation addressed EFS initiatives in the area of single financial regulator. Mr. Kelly and Mr. Dimas attended, along with specialists from the Progress 2 firm. The presentation lasted about one hour and forty-five minutes. Among the issues discussed were the scope of review in the area of accounting and auditing for the new financial regulator.

Taha M. Khaled, Managing Partner, BDO Khaled & Co. (tel.: 330p3 0701) - Ahmed Hussein El-Sayed – The meeting lasted one hour. Mr. Kelly attended. Ahmed Nour El Din of the Progress 2 firm also attended the meeting. Among the issues discussed were the question of contractor-subcontractor relations, critical interventions by local subcontractors, and the current state of capital markets in the Egyptian economy.

Manal F. Shalaby – An afternoon presentation included continued discussion of the primary mortgage market, with elaboration as to major private sector entities in that market. Mr. Dimas attended. The meeting lasted about two hours.

Wednesday, August 5, 2009

Ghada Moustafa, Programme Manager, European Commission (tel.: 3749 4680) – The presentation lasted about one and one half hours. Messrs. Mr. Kelly, Dimas and Alashomi attended. The subject of presentation was European sponsored efforts in the area of bank reorganization and capital markets reform. There was also discussion of the mortgage market and the efficacy of donor initiatives in the area of financial markets generally.

Manal F. Shalaby – The meeting of three hours included continued discussion of the primary mortgage market, with elaboration as to major private sector entities in that market. Mr. Dimas attended.

Thursday, August 6, 2009

Lobna Helal, former executive, MFA (tel.: 2770 1460 ) - The meeting lasted about forty-five minutes. Mr. Dimas attended. Discussion concerned donor assistance to the former MFA, prior to its status as a constituent of the EFSA.

Dr. Ahmed Saad Abdel Latif, former Chair, Capital Markets Authority (tel.: 3537 0040) - The meeting lasted about forty-five minutes. Mr. Kelly attended. Among the matters discussed were donor assistance to the issue of development of capital markets in Egypt, the consequences of the single financial regulator initiative and donor needs as a result thereof.

Sunday, August 9, 2009

Wafaa El Dars, advisor, MFA component of the EFSA (tel.: 202.27984009) - The meeting lasted about one hour and forty-five minutes. Mr. Dimas attended. Discussion concerned EFS assistance to the MFA in particular the need studies of all different tasks including IT and the help provided with regard to staffing and training.

Dr. Mohammed Hosni, Advisor to the Ministry of Justice (on property registration) (tel. 01111035050) - The meeting lasted about two hours. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended along with Fatma Abdel Kader, EFS Deputy Team Leader and Senior Cadastral Systems Specialist, and Ali Abdel Salam, EFS legal advisor and former general counsel to REPD. Among the matters discussed were the legal authority for the property registration and cadastral initiatives, GOE coordination of the relations among ESA, REPD in MOJ and the MSAD, and related matters.

Ahmed Azam, Director, Mokattam Registration Office, Ministry of Justice (tel.: 0103305711) - The meeting lasted about two hours. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended along with Fatma Abdel Kader and Ali Abdel Salam. Among the matters

discussed were the multiple office formation for registration, the lack of complete automation among offices and coordination with ESA and REPD functions.

Monday, August 10, 2009

Iman Ismail, Managing Director, Egyptian Mortgage Refinance Company (tel.: 273 774 01) - The meeting lasted about one hour and twenty -five minutes. Mr. Dimas attended. Discussion concerned the current need for a refinance in the mortgage market and how the 20% tax on treasury bills yields announced in May 2008 affected the market.

Amr Shafik and Marwa Abdel Rahman, Project Management, QSIT and Senior Presales Engineer ESRI, respectively (tel.: 5167485) - The meeting lasted about two hours. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended along with Fatma Abdel Kader, Deputy Team Leader and Senior Cadastral Systems Specialist in EFS. Among the matters discussed were the legal authority for the property registration and cadastral initiatives, GOE coordination of the relations among ESA, REPD in MOJ and the MSAD, and related matters.

Sayed Anbar, Head of the Egyptian Survey Authority Cairo Provincial Office (tel.: 274 1395) - The meeting lasted about two hours and was with staff engineers supervised by Mr. Sayed. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended along with Fatma Abdel Kader, Deputy Team Leader and Senior Cadastral Systems Specialist in EFS. Among the matters discussed were the legal authority for the property registration and cadastral initiatives, GOE coordination of the relations among ESA, REPD in MOJ and the MSAD, and related matters.

Tuesday, August 11, 2009

#### SPECIAL EVENT: FIELD REVIEW

Ahmed Azam, Director, Mokattam Registration Office, Ministry of Justice (tel.: 0103305711) - The meeting, in the nature of a real field visit, lasted about three hours and fifteen minutes. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended, along Fatma Abdel Kader and Ali Abdel Salam. The visit was a “soup to nuts” review of all functions at the registration office, including discussions of customer relations, transaction verification, the handling and analysis of legal documents, and the relation the registration office to ESA. Interviewees included virtually all regular staff at the office, in virtually all cases at their work stations. Mr. Azam was not typically present, but Ms. Kader and Mr. Salam were.

Wednesday, August 12, 2009

Ali Kamel and Ingi Lofti - The meeting lasted about two and one half hours. Messrs. Mr. Kelly, Dimas and Alashomi attended. USAID specialists in attendance included specialists in economic reform. Among the matters discussed were: Presentation by Mr. Kelly of the proposed outline for the Final Evaluation Report and USAID approval thereof. Mr. Dimas gave a consolidated picture of needs as respects mortgage markets.

Amr Hassanein, Chief Consultant, Finance & Banking Consultants International (tel.: 3749 5616) - The meeting lasted one hour. Mr. Kelly attended. Among the issues discussed were the question of contractor-subcontractor relations, critical interventions by local subcontractors, and the current state of capital markets in the Egyptian economy.

Thursday, August 13, 2009

Ahmed Zayed, Director of the REPD, Ministry of Justice (tel.: 2481 1222) - The meeting, in the nature of a roundtable, lasted about three hours. Mr. Kelly and Mr. Abu Hamer of the Progress 2 local team attended, along with Fatma Abdel Kader and Ali Abdel Salam. Dina Nasr Nachlay, identified below and with the Ministry, also attended to provide interpretation assistance. Among the matters discussed were government responsibilities in the area of property registration, the nature of a one stop shop and the sustainability of the Mokattam effort.

#### SPECIAL EVENT: FIELD REVIEW

Dina Nasr Nachlay, Director and Specialist, Real Estate Registrations Ministry of Justice, South Cairo Office (tel.: 0122421017) - The visit lasted thirty minutes. Mr. Kelly attended. He was accompanied by Fatma Abdel Kader and Ali Abdel Salam. Among the demonstrations concerned the automation of real estate contract registration. Discussion was in English, French and Arabic.

Sunday, August 16, 2009

Mohammed Refaat El-Houshi, Managing Director, iScore (tel.: 5946600)-The meeting lasted one hour. Mr. Kelly was accompanied by Ahmed Nour El Dien. Among the matters discussed were firm strategies going forward, and the integration of firm rating and collateral registration services into the credit bureau function.

Ali Abdel Salam, Senior Property Registration Advisor, EFS (tel.: 2762 6140)-The meeting lasted two hours and was on the premises of Progress 2. Mr. Kelly was accompanied by Hani Abu Hamer. Among the matters discussed were complications with movement to a title system, the reduction of steps accomplished through the Mokattam reform and the transferability of the Mokattam reform in registration.

Monday, August 17, 2009

James Gohary and Jeanne Bufton, Senior Operations Manager and project Officer, respectively, International Finance Corporation (IFC) (tel.: 2461 4399) - The meeting lasted one hour. Mr. Kelly was accompanied by Ahmed Nour El Din. Among the matters discussed was IFC assistance in the area of credit bureau development in Egypt and the state of the Egyptian housing market.

Mohammed S. Abdel Salam, Chairman and Managing Director, MCDR (tel.: 2597 1501) - The meeting lasted one hour and twenty minutes. Mr. Kelly was accompanied by Ahmed Nour El

Din. Among the matters discussed were the nature of settlement and clearing in Egypt, the relation of this function to the exchange, EFS assistance and industry needs going forward.

Khaled Saleh, MFA within EFSA (tel.: 2211 6115) - The meeting lasted about forty-five minutes. Mr. Dimas attended. Discussion concerned donor assistance to the former MFA, prior to its status as a constituent of the EFSA. There were parallel discussions with Dr. Tarek Abdel Bary.

Amr Attallah, Chief Executive Officer, Al Ahly United Bank for Mortgages - The meeting lasted about forty-five minutes. Mr. Dimas attended. Discussion concerned the mortgage market generally.

Tuesday, August 18, 2009

Ashraf Al Cady former executive, MFA (tel.: 3338 8727) - The meeting lasted about forty-five minutes. Mr. Dimas attended. Discussion concerned donor assistance to the former MFA, prior to its status as a constituent of the EFSA.

Thursday, August 20, 2009

Mohammed Abdulatif, Chair, ESA (tel.: 3748 4904) – The meeting lasted one hour and one half. Mr. Kelly was accompanied by Fatma Abdel Kader and Mr. Abu Hamer. Several ESA experts also attended. Among the matters discussed were the collaboration between ESA other agencies of government as respects move to titling, and the progress of the cadastral project.

Sunday, August 23, 2009

Ahmed Hussein El-Sayed – The meeting was at the request of EFS and included former EFS Chief of Party Francois Pepin. Mr. Kelly and Mr. Dimas attended. The meeting lasted about forty-five minutes. Among the issues discussed were EFS developments for the perspective of the last five years.

## **Appendix IX. E**

### **Bibliography**

#### **DOCUMENTS AND TEXTS CONSULTED**

The following documents were consulted by the Evaluation Team for the EFS, an initiative sponsored by the USAID and dedicated to finance sector development in Egypt.

The Evaluation Team found the administrative documents developed by the EFS to be especially detailed. The evaluation team concentrated on the technical documents produced by the EFS for various constituencies of the GOE and related parties.

On occasion, as to both local and international authority, information provided did not reveal the author, or the date of publication or effectiveness. In such cases, the best description is rendered given available information.

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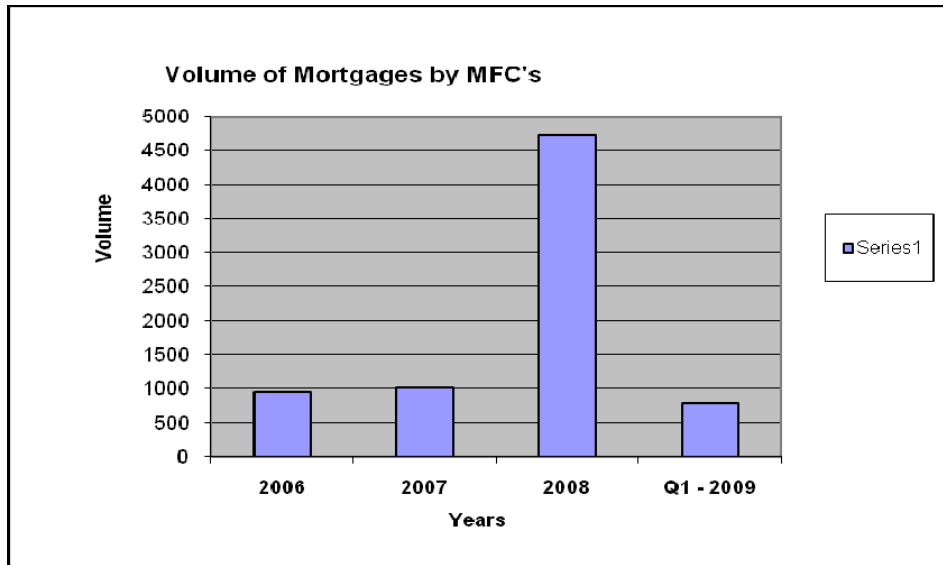
In addition, numerous special reports and authority were consulted. The above listing is illustrative of documents particular to Egypt or documents frequently consulted.

- Appendix IX. F

## Data Collection and Analysis

### A- Analysis of the Mortgage Finance trend through 2004- March 2009

Title	Total up to Dec-04	Total up to Dec-05	Total up to Dec-06	Total up to Dec-07	Total up to Dec-08	Total up to Mar-09
No. of Companies	0	2	4	6	11	11
No. of Mortgage Appraisers	40	75	88	109	NA	130
No. of Mortgage Brokers	168	203	212	224	NA	223
No. of Foreclosure Agents	0	0	28	31	NA	61
Mortgage Refinance Company	NA	NA	Established	Established	Operational	Operational
Volume of Mortgages by MFC's	0	338	1303	2328	7065	7851
Value of Mortgage by MFC's (in Millon EGP)	0	87	272	491	1114	1199
Value of Mortgage by Banks (in Millon EGP)	NA	121	728	1563	2115	2232
		Inc. 05	Inc. 06	Inc. 07	Inc. 08	Inc. Mar-09
No. of Companies		2	2	2	5	0
No. of Mortgage Appraisers		35	13	21		21
No. of Mortgage Brokers		35	9	12		-1
No. of Foreclosure Agents			28	3		30
Mortgage Refinance Company						
Value of Mortgage by Banks (in Million EGP)			607	835	552	117

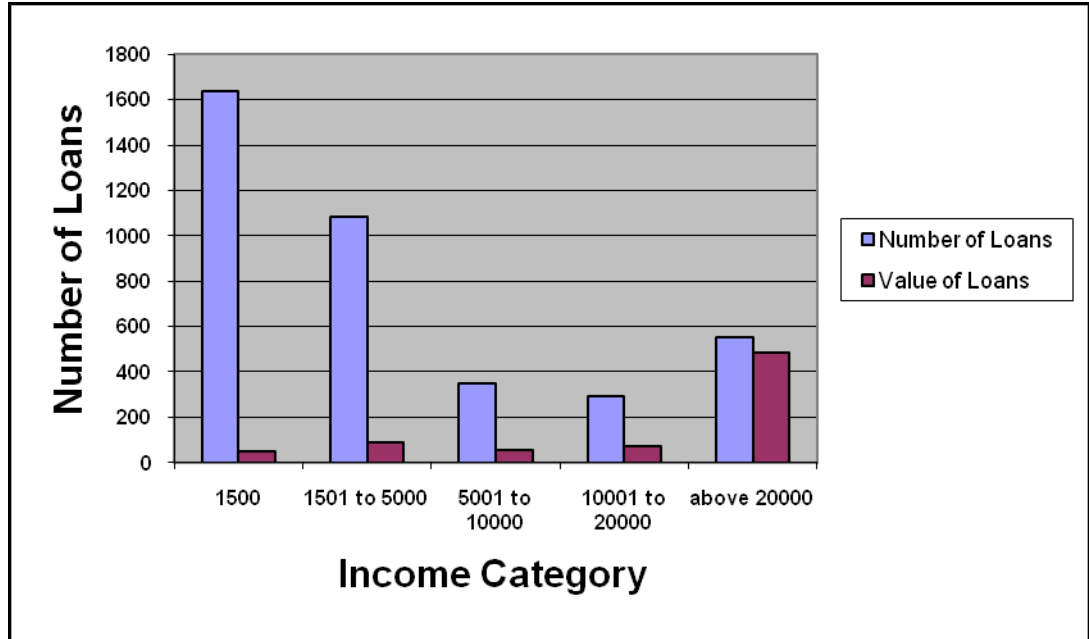


The Numbers above indicate a decline in the unit price if the same ceiling is used for all units in the different years being compared. "If True" that indicates correction of the market prices or new direction for different level of financing for lower income needs.

The volume of mortgages by MFC's shows a very high increase in 2008 which seems to be declining in 2009 however these volumes dose not compare to the actual size of the market demand which is estimated at 400,000 units/year in addition to unsatisfied demand of approximately 2,500,000

Again the volume of mortgages by banks shows a high increase in 2006, 2007 and 2008 which seems to be declining in 2009. However, these volumes do not compare to the actual size of the market which is estimated at 400,000 units/year in addition to unsatisfied demand of 2,500,000 units.

**B- Analysis of The Loan Volume by MFC's according to Borrowers income categories**



The above graph shows that the greatest number of borrowers has the smallest volume while about 14% of the borrowers have 64% of the granted finance. Also the average loan size for smaller income categories is very low especially if it counted the government subsidy.

**C- Geographical Distribution for Mortgage contract issued by MFC's**

Governorates	Total Numbers of Contracts	
	Sep-07	Sep-08
Cairo	59%	19%
Giza	32%	8%
6 of October	-	51%
Alexandria & Matrouh	5%	3%
Red Sea	0.30%	2%
Helwan	-	14%
16 Governorates	4%	3%
<b>Total</b>	100%	100%

The table above illustrates the distribution of Mortgage finance contracts among the different Governorates of Egypt. It shows a tremendous uneven distribution, high decline for both Cairo and Giza, and an incredible increase in 6 of October and Helwan (The newly established Governorates) which indicates that most of the contracts are gearing towards new facilities rather than the existing facilities.