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EGYPT

QUARTERLY PROGRESS REPORT

APRIL – JUNE 2007

EGYPT FINANCIAL SERVICES PROJECT

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ACRONYMS

ABS	Asset-Backed Securities
AI	Appraisal Institute
AMCHAM	American Chamber of Commerce in Egypt
ALC	Arab Legal Consultants
AOJS II	Administration of Justice Support II
BDA	Bond Dealers Association
BDO	BDO Khaled & Co.
BOD	Board of Directors
CBE	Central Bank of Egypt
CIDA	Canadian International Development Agency
CAPMAS	Central Agency for Public Mobilization and Statistics
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CMA	Capital Market Authority
COTS	Commercial Off-the-Shelf
COP	Chief of Party
CRA	Commercial Registry Authority
CORS	Continually Operating Reference Stations
DCA	Development Credit Authority
DO	Egyptian Survey Authority District Office
DVP	Delivery versus Payment
DTGS	Direct Transfer Gross Settlement System
EAA	Egyptian Appraisers Association
EALB	Egyptian Arab Land Bank
EAR	Egyptian Association of Realtors
EAREA	Egyptian Association of Real Estate Appraisers
EBA	Egyptian Bankers Association
EBI	Egyptian Banking Institute
EISA	Egyptian Insurance Supervisory Authority
ECIM	Egyptian Cadastral Information Management (Finnish-funded project)
ECMA	Egyptian Capital Market Association
EDO	Egyptian Survey Authority District Office
EFS	Egypt Financial Services
ELF	Egyptian Finance Liquidity Facility
EHFC	Egyptian Housing Finance Company
EIMA	Egyptian Investment Management Association
EISA	Egyptian Insurance Supervisory Authority
EJA	Egyptian Judges Association
ELA	Egyptian Lawyers Association
EMA	Egyptian Mortgage Association
EMBA	Egyptian Mortgage Brokers Association
EPO	Egyptian Survey Authority Provincial Office
ESA	Egyptian Survey Authority
EREA	Egyptian Real Estate Association
ERESA	Egyptian Real Estate Surveyors Association
ESA	Egyptian Survey Authority
ESOP	Employment Stock Ownership Plan
ESRI	Environment Systems Research Institute
EU	European Union
FinBi	Finance and Banking Consultants International
FTC	Federal Trade Commission
FSVC	Financial Services Volunteer Corps

GAFI	General Authority for Investment
GIS	Geographic Information System
GOE	Government of Egypt
GSF	Guarantee and Subsidy for Real Estate Activities Fund
H&A	Hassouna and Abou Ali Law Firm
IFC	International Finance Corporation
IFS	International Federation of Surveyors (Egypt Chapter)
IHF	International Housing Finance
ILS	International Land Systems, Inc.
IPF	Investor Protection Fund
KRA	Key Results Area
LADIS	Legislation and Development Information Systems
MBA	Mortgage Bankers Association
MCDR	Misr for Clearing, Depository, and Registry
MFA	Mortgage Finance Authority
MFC	Mortgage Finance Company
MHUUD	Ministry of Housing, Utilities and Urban Development
MLS	Multiple-listing Service
MSAD	Ministry of State for Administrative Development
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOI	Ministry of Investment
MOU	Memorandum of Understanding
NAR	National Association of Realtors
NASD	National Association of Securities Dealers
NCCIC	New Cairo Community Information Center
NCJS	National Center for Judicial Studies
NIB	National Investment Bank
NFI	New Financial Instrument
NUCA	New Urban Community Authority
OST	Overseas Study Tour
PEA	Project Execution Agreement
PO	Provincial Office (of the Egyptian Survey Authority)
PIN	Parcel Identification Number
PMU	Project Management Unit
QPR	Quarterly Progress Report
QSIT	Quality Standards Information Technology
REPD	Real Estate Publicity Department
RETD	Real Estate Tax Department
RFP	Request for Proposal
RFQ	Request for Quotation
RO	Registry Office
SEC	Securities and Exchange Commission
SII	Securities and Investment Institute
ST	Short-term
TDL	Training Development Laboratory
UCD	Universal Cadastral Database
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
WB	World Bank
YEBA	Young Egyptian Bankers Association

SECTION I: Executive Summary

Highlights of the Quarter. *Task 1* – The first Egypt Housing Finance Conference took place on May, 14, 2007 at the Conrad Hotel. EFS was one of the main sponsors and the COP Raymond Struyk was one of the speakers on the “Developing the Retail Mortgage Market” panel. The entire Task 1 team attended the conference and took notes during the panel discussions. Staff also rotated manning the USAID booth, where they answered questions on the role of USAID and EFS in Egypt. EFS offered USAID, training, and mortgage-related handouts as well as a CD of EFS project reports to attendees at the information booth. The project also sponsored a booth on behalf of the MFA and developed contents for an Arabic flyer that was designed and distributed explaining what housing finance is, how to obtain it, and the contact information for the Mortgage Finance Authority (MFA).

Also for the conference, upon a request made by the MFA chairman, the Task 1 team prepared the talking points for panel discussions on Challenges and Solutions of Housing Finance in Egypt, Key Drivers in Successful Development of Housing Finance, Developing the Retail Mortgage Market, and Bridging the Funding Gap – The Wholesale Financial Markets for Mortgages and the Government’s Role in the Market’s Development. The Minister of Investment asked the Task 1 team to prepare conference notes on keynote speeches by the Minister of Investment and the Minister of Social Development, the keynote speech by the Deputy Governor of the Central Bank of Egypt, and the panel discussions. The conference overall was a tremendous success, with more than 600 participants registered, almost twice as many as originally projected.

Task 1 also completed reports on the Consumer Survey that was fielded in February of this year. The survey included 504 Cairo consumers from higher three (of six) socio-economic groups, and was designed to determine their understanding and knowledge of mortgage loans and property registration and their attitude towards them. About 35 percent of respondents reported having heard or read something about buying an apartment or taking out a mortgage in the past year. This is a fairly high simple penetration rate and indicates that the marketing campaigns were reasonably successful, although much remains to be done. Of those who had heard something on the topic, close to half stated that they had paid close attention to the information or had carefully considered whether a mortgage would be a good thing. Such a focus of attention indicates that many in the sample population have a real interest in the subject.

The penetration rate for information on registration is only about one-half of that for mortgages—19 percent and 36 percent respectively. This again indicates that the purposeful education campaigns about mortgages are having an effect. That said, the share of respondents who reported having heard something that said they paid close attention to the information was the same. Unlike the case for mortgages, there is no difference between recent owners and would-be owners in their respective penetration rates.

There are moderate differences among the sample population between their understanding of the basic idea of mortgage loans (modest) and of property registration (high). However, specific knowledge was greater for mortgages than for registration, perhaps because mortgages are so new in Egypt and are receiving a good deal of attention. Half of the respondents who have purchased a property in the past five years said they have registered it, and a large majority of respondents report being motivated to register a property purchased in the future, despite misgivings about the registration process.

These findings, taken as a whole, indicate that the relatively greater education campaigns and media coverage on mortgage lending than on registration have had significant impact on knowledge levels and attitudes. Nevertheless a substantial educational job remains to

motivate consumers to use mortgage loans in home purchases. Would-be borrowers have particularly negative reactions to the present high interest rates. On the other hand, the task for registration is to improve the actual registration process and then to inform consumers about the improvements.

Task 2 – One of EFS' performance management indicators, #17, measures public understanding of the value of registering property. This indicator, supported by the survey results, is defined by the answers to several scored questions on the value of property registration by current home owners and potential home buyers. The following are the statements to be evaluated by respondents on a scale of 1 to 10: registration is a process that would give me the clearest possible legal title to my real estate property; registration of real estate property would make it easy to sell it in the future; registration of real estate property would help me protect my rights in the event of a dispute. These three statements combined comprise this indicator. The responses to each question were averaged across statements to come up with a composite score of 9.33 out of the 2007 target of 9.5. It must be noted however that the survey did not probe deeply to ascertain what people perceived as being registration. This will be examined by Task 2 in more detail in the next quarter.

Task 2 also assisted with the establishment of a Multi-Party Working Group to undertake revision of REPD technical instructions and executive regulations of Law 114/1946. This was at the direct request of Counselor Hosni from the MOJ after Task 2's Stakeholder Workshop on February 19, 2007. This represents significant improvement in the working relationship with REPD. REPD, ESA, MSAD, NUCA, MFA have all participated in the working group.

Also this quarter, the MRO Service Area for Mokattam was officially defined. The Mokattam Municipality also agreed to adopt EFS's recommended service area boundaries, including submission to the Cairo Governorate. REPD and ESA have collaborated throughout this effort. This is a major accomplishment, the failure of which could have led to significant delays for EFS. This was a new approach for the REPD RO area definition since it is normally done according to Police District (Sheyeka) boundaries. Furthermore, developer Emaar Misr also provided information to include an entire development (>10,000 new properties) within the service area which provides a significant scope for mortgage finance in this development.

Task 3 – Task 3 found success in recommending changes to regulations on investment funds. EFS drafted a memo to the CMA Chairman on main issues in the new draft of executive regulations on investment funds. Those issues were discussed with the CMA Chairman and a legal advisor in a meeting on June 21. All proposed changes were accepted by the CMA. Those changes were mainly to allow fund managers to sponsor and manage the funds, eliminate undue duplication of requirements for a separate board of directors and articles of association for the investment company other than BOD and articles of association for the investment fund sponsored by the same investment company, and to eliminate the requirement for semi-annual dividends by real-estate investment funds as it should be a policy of the fund manager rather than a regulatory requirement.

Ahmed Hussein and the CMA legal advisor finalized the proposed regulations and drafted a memo to the MOI explaining the purpose and main changes in the regulations. The CMA Board of Directors approved the proposed regulations and the CMA Chairman submitted the proposal to the MOI for approval and issuance.

Task 3 also provided a training workshop for an introduction to derivatives to the CMA. The workshop was presented by John McPartland and Marian Mishriki on May 26 and attended by 33 persons (not including EFS) including the CMA Chairman, CMA Deputy Chairman, MCDR Chairman, and MCDR Deputy Chairman. The training covered types and uses of

derivatives, potential benefits to the Egyptian market, trading in derivatives, clearing and settlement in derivatives, and risk-based regulation of a derivatives market.

During his consultancy, John McPartland developed a proposed framework of regulatory and private-sector plans for introduction of derivatives in the Egyptian capital market. The frameworks were presented to the CMA Chairman in a meeting May 27 and to potential stakeholders of banks, brokers, associations and MCDR in a meeting May 28, which 24 people attended (not including EFS). The CMA Chairman invited the participants to form a private-sector advisory group to the CMA on implementation of the plan for a derivatives market.

Task 4 – I-Score and Dun & Bradstreet sought assistance from Task 4 to help facilitate a membership questionnaire which is being provided.

Task 4 has been working with Task 1 with respect to contacting private housing developers to try to obtain developers' records on the credit history of households to whom units have been sold.

Parallel to this effort, Task 4 is focused on interviewing four public sector housing developers since they fall under the umbrella of the Ministry of Investment. The Minister of Investment's advisor suggested a meeting with the four public sector housing developers at the Ministry during which EFS can inform them about the credit bureau project, in addition to securitization, and how home purchase can be financed through mortgage finance. This groundwork will help provide momentum for the coming quarter.

On another note, I-Score has indicated its appreciation for the ongoing support from the EFS Public Awareness team in their efforts to work with I-Score's advertising agency, Tarek Nour, on their public awareness campaign and provide necessary on-the-job training to the credit bureau's communications specialist. The Public Awareness team has been requested by I-Score to provide Presentation and Communication Skills Training and help form a crisis management committee and train staff to handle media following the launch.

The Way Forward.

This coming quarter, Task 1 will focus on completing the Developers Survey and report on the results. They will also support the Egyptian Mortgage Finance Authority, in an effort to stimulate lending by mortgage finance companies and commercial banks to increase the number and flow of mortgages. Task 1 will also employ short-term legal assistance to begin work on Standardization and Consumer Protection.

There will also be a substantial amount of training this coming quarter with training-of-trainers training for the ShoreBank and MBA course material. Capacity Building courses for MFA staff will also be explored and EFS will help set up a training facility for the MFA and finalize procurement of furniture.

Public awareness efforts for the Mortgage Finance Authority will include the start of the Road Show, a second documentary for the MFA and organizing an MFA stakeholders event.

Upon completion of the due diligence activity early this coming quarter to identify the best solution to the IT configuration for the enhanced deeds system, Task 2 will commence implementation of the preferred option for development/configuration of EPBDS. This will largely determine how Task 2 will move forward in this area during the final year of the project.

In the meantime, Task 2 will complete the tendering process and undertake procurement of equipment and upgrade the offices of the MRO, EPO and ESA Training Center (ETC). Task 2 will also request approval for IRM revision to include the South Cairo Registry Office (SCRO) requirements. Completion of the new office space in Mokattam should be finalized and ready for Task 2 to relocate.

Three training courses will be delivered to ESA and REPD this coming quarter, including the Cadastral Operations Course, the REPD Core Curriculum Course, and a Customer Services Course. As well, Task 2 will design and conduct a registry services consumer survey and collaborate with REPD to develop a Communications Strategy to begin mobilization of the public awareness campaign required to promote registration in Mokattam.

Task 3 will send 12 participants to an overseas study tour to Malaysia and Singapore for commodity futures and derivatives markets from August 19 – August 29. The participants are representative of the Capital Market Authority (CMA), the Cairo and Alexandria Stock Exchange (CASE), the Ministry of Investment (MOI) and Misr Clearing and Central Depository Company (MCDR).

The Task will also focus its efforts on finalizing the legal and regulatory framework of the derivatives market this coming quarter. They will finalize their review and recommendations to enhance the legal and regulatory framework of bond markets and also review and make recommendations to enhance the legal framework of leasing.

With the opening of the credit bureau tentatively scheduled this quarter, the focus for I-Score will continue with public awareness and training initiatives. The PA team will help the credit bureau with their launch event this quarter as well as continuing to work with advertising agency Tarek Nour to roll out the public awareness campaign under the EFS-developed communications strategy. After the launch, training programs will resume with I-Score and the banks to resolve any of the questions or issues that arise after the launch and continue to address the topic of consumer protection.

The overall project focus for the third quarter is to engage with counterparts and submit the Year 4 work plan which will be effective November 1, 2007 – September 8, 2008. As EFS approaches its final year, it is essential to continue working relationships with our counterparts to maximize the project's resources to ensure a sustainable future.

COP Raymond Struyk gave notice that he will leave the project on August 31. He will handover his duties as COP to current DCOP, Francois-Jude Pepin on August 1 as the new Chief of Party.

ASSESSMENTS AND ANALYTICAL STUDIES PREPARED THIS QUARTER

Title	Technical Report Number	Task	KRA
ESA Cadastral Operations Course Module A: Geodetic Control Course Notes	82	2	2.12.2
ESA Cadastral Operations Course Module B: Data Processing and GIS Course Notes and Exercises	83	2	2.12.2
ESA Cadastral Operations Course Module C: Field Surveying Course Notes	84	2	2.12.2
REPD Training Materials	85	2	2.12.2
Mortgage Finance Authority Proposed Regulations for Ensuring the Safety and Soundness of the Egyptian Mortgage Refinance Company	86	1	1.12.2
Mortgage Finance Training and Capacity Building	87A	1	1.10.1
Recommended Diagnostics for Mortgage Lending in Banks and Appraisal Training - Supplement Report	87B	1	1.10.1
MFA Public Service Campaign	88	1	1.1.8.4
Aligning Financial Supervision Architecture with Egypt's Needs	89	3	3.11.2
Egyptian Consumer Knowledge and Attitudes on Mortgage Finance and Property Registration	90	1	1.1.8.3
Egypt Deed Registration System Property Index Maps - Technical Specifications and Guidelines	91	2	2.12.3
Egypt Deed Registration Property Index Maps - Quality Assurance/Quality Control	92	2	2.12.3
Enhanced Parcel Based Deeds System - Draft System Requirements Specifications - Registration Component	93	2	2.11.2
Integrated Registry Cadastre System: System Requirements Specifications	94	2	2.11.2
Consumer Behavioral Survey and Strategy Update	95	1	1.15.1
Dwelling Improvements by Cairene Homeowners: Is there a Market for Housing Finance? (English)	96	1	informal
Dwelling Improvements by Cairene Homeowners: Is there a Market for Housing Finance? (Arabic)	96	1	informal
Draft Regulatory Framework for Exchange-Traded Derivative Securities in Egypt	97	3	3.11.08

List of Informal Deliverables for Task 1:

Prepared Minister's speech for the Global Real Estate Conference held in Dubai in April 2007
Sponsored a workshop on alternative mortgage instruments (April 23, 2007)
Research, presentation and interest rate computation spreadsheet for NBD for housing micro-finance
Incorporated three additional members for the Wharton Program (planned in June)
Contributing to the budget of the Euromoney Conference (May 14, 2007) and designing the space allocated for the MFA;
Developed talking points for four panels in the Euromoney Conference (May 14, 2007)
Developed key note speech for ambassador during the Euromoney Conference (May 14, 2007)
Developed key note speech for the Deputy Governor of CBE during the Euromoney Conference (May 14, 2007)
Compiled a briefing for the panel discussions held during the Euromoney Conference (May 14, 2007)

Sponsored 2 MBA conferences during the chairman's and deputy OST in DC (May 2007)

Developed procedures for appraisal inspection (June 2007)

SECTION II: Progress Report by Task

TASK 1: ESTABLISH A SUPPORTING FRAMEWORK FOR THE REAL ESTATE FINANCE INDUSTRY

Key Accomplishments

A. Activities Performed During Quarter

MFA:

Regulations of EMRC - Short-term Regulatory Advisor, James Bothwell, submitted his first draft of the regulations to EMRC on March 24, 2007. Phase II of the Advisor's assignment is to implement regulations and incorporate MFA comments into the report.

Building Second Line Staff - This is considered a top priority for the MFA. The MFA Deputy Chairman noted that there were two positions to be filled within the new structure adjusted by Mr. Safwat Nahas. MFA Deputy Chairman will try to have those positions filled by two regulators. The organizational structure adjustment is a combination of the Organizational Chart previously prepared by EFS and the Government Organizational Chart of the MFA. It is now pending approval by the Central Agency of Administration and Development.

The MFA Deputy Chairman asked for a translation of the job descriptions prepared by EFS to send to the Central Agency of Administration and Development. Task 1 Regulatory and Audit Advisor completed this and also updated the department functions and accomplishments of each.

Arabic Translation of the Supervisory Regulatory Manual - Task 1 Financial Analyst gathered, formatted and prepared a hard copy of the full manual in Arabic and presented it to the MFA regulatory team on June 13. The remaining sections translated were sent to the MFA on May 31. By submitting the hard copy of the Arabic Regulatory Manual, this task should be considered complete.

USAID Implementation Letter - Upon a request made by the MFA Chairman on April 24, EFS COP drafted a letter to be presented to USAID by the MFA Chairman, justifying the need to increase the salaries of the MFA advisors. Task 1 Regulatory and Audit Advisor completed a list of additional responsibilities for each position and a list of accomplishments by department to be annexed to the letter.

Alternative Mortgage Product Instruments / Islamic Compliant Instruments - A workshop was held on April 23 at Marriott Hotel to present the alternative mortgage instruments and the Shariaa compliant products. It was attended by 75 participants and was co-sponsored with EBI and MFA. The COP covered the section on alternative mortgage product instruments and Task 1 Financial Analyst presented Shariaa compliant instruments.

Mortgage Brokers Training and Examination - Upon a request made by the MFA Chairman, Task 1 Leader gave a PowerPoint presentation in Arabic on April 11, 2007 on recommendations provided by the ST Primary Mortgage Finance Advisor, on recommendations for mortgage brokers training and examination. The presentation was attended by the MFA Regulatory Team and the General Manager for Licensing, in order to initiate the necessary steps for the implementation process.

Upon a request made by the MFA Chairman, the SOW for ST Advisor Mitchell Medigovich was amended to cover preparing the training material and TOT for mortgage finance brokers. Mr. Medigovich prepared the majority of the training material for mortgage brokers

with the assistance of the Senior Mortgage Advisor, the Regulatory and Audit Advisor and the Mortgage Lending Specialist. A presentation was delivered to the MFA Chairman and Deputy by the ST Advisor on June 13. The presentation included a description of the course material contents and a sample of the slides being included in the material. The ST Advisor also recommended some documents to be endorsed by the MFA and used by the brokers.

GSF - Based upon a request made by the MFA Chairman, the COP combined information on the Mexican case and developed a summary paper. The paper and research were submitted to MFA Chairman in April 2007. A plan to recruit a ST Advisor working on pricing the GSF premium was developed and the Advisor was contacted. The COP, in preparation for this assignment, developed a list of questions on background information that was sent to the MFA in January.

US Mortgage Market Crisis – The Task 1 Financial Analyst developed a paper and PowerPoint presentation on lessons to be learned for the regulator from the current US mortgage market crisis. A version of this document, prepared with the COP, was posted on the MFA web site.

Full Time Plan at MFA – The Task 1 Leader proposed to the MFA Deputy Chairman that the EFS mortgage team be present at MFA premises full-time.

Work Plan Tracker – The Task 1 Regulatory and Audit Advisor developed a status report on activities on hold by the MFA, as per the work plan. The Task 1 Leader developed a status briefing on issues to be raised between USAID and MFA concerning quarterly progress on the work plan and incorporated a list of informal deliverables completed to date.

The Euromoney Egypt Housing Finance Conference - The first Egypt Housing Finance Conference took place on May, 14, 2007, at the Conrad Hotel. EFS was one of the main sponsors and the COP was one of the speakers on “Developing the Retail Mortgage Market” panel. The entire Task 1 team attended the conference and took notes during the panel discussions. They were alternatively represented at the USAID booth, where they answered questions on the role of the USAID and EFS in Egypt.

Concerning preparations for the conference, a number of activities were conducted:

- The Public Awareness team prepared the designs for each of the EFS Booth and the MFA Booth;
- Task 1 team developed contents for a flyer that was designed by the PA and published for distribution;
- Task 1 team compiled a number of reports and presentations that were distributed on CDs along with reports from other tasks;
- EFS Manager of Communications, Training, IT and Performance Reporting and Task 1 Loan Analyst designed a training brochure that was printed by EBI on the Mortgage training programs offered by EBI and EFS.

Upon a request made by the MFA chairman, the Task 1 team prepared talking points for 4 panels on:

- Housing Finance in Egypt – Challenges and Solutions
- Key Drivers in Successful Development of Housing Finance
- Developing the Retail Mortgage Market
- Bridging the Funding Gap – The Wholesale Financial Markets for Mortgages and the Government’s Role in the Market’s Development

Upon a request made by the Mol, the Task 1 team worked on preparing the conference notes as follows:

- Keynote speeches by Minister of Investment and the Minister of State for Social Development
- Keynote speech by the Deputy Governor of the Central Bank of Egypt
- Housing finance in Egypt – challenges and solutions
- Key drivers in successful development of housing finance
- Financing residential construction and development
- Developing the Retail Mortgage Market
- Affordable housing finance
- Bridging the funding gap – the wholesale financial markets for mortgages and the government's role in the market's development

The COP prepared a speech for the U.S. Ambassador on the Egyptian housing market. To respond to an ad hoc request made by the MFA Deputy Chairman, the Task 1 Senior Mortgage Advisor prepared a speech for the CBE Deputy Chairman.

Lending Institutions:

Taamir Mortgage Company (TMC) - One meeting was held with Taamir on IT Software Solution to finalize the RFP. Mr. Mohamad El Kahki, the IT Deputy General Manager in TMC, was assigned as the coordinator for sending out the RFP.

Egyptian Housing Finance Company (EHFC) - One meeting was held with EHFC on IT Software Solution to finalize the RFP.

Tamweel – A meeting was held with Tamweel on IT Software Solution to finalize the RFP and assist them in making a decision on the software. Another meeting was held with the CFO regarding how EFS and the company could cooperate in the future.

Amlak – The latest established MFC, Amlak, is considered the financial arm of the United Arab Emirates, Emaar Company. It was announced that Mr. Ahmad Hagag had been recruited to head the new company. Mr. Hagag worked as consultant to the Chairman of the Egyptian Arab Land Bank. Amlak will be offering Sharia compliant products. Their product features are expected to be:

- 90% LTV
- Minimum age 21 years
- Loan tenure will be maximum 20 years for Egyptians and 15 years for non-Egyptians
- Installments start once the property is delivered to the borrower
- The expected financing cost (interest rate) will be 13.9% per annum
- Admin fees 1.5%
- Financing fees 0.5%
- Early settlement fees 2% of the outstanding balance

Bank Capacity Building – Bank presentations conducted by the MFA to the banks' staff were successfully concluded with the last workshop held on April 24, 2007. As such, 19 banks were trained, in addition to three MFC's and some employees from the Ministry of Investment, totaling 119 employees over 8 rounds. MFA shared the list of trainees with EFS.

NBE – Task 1 staff delivered the Egyptian Primary Mortgage Market Course on April 22 – 26 for the National Bank of Egypt. The course was held at their premises and was delivered to 18 participants from the NBE senior staff in English. All participants completed the 50-question exam at the end of the course. Attendees represented different managerial levels from Assistant Manager to General Manager and were from credit, investment trustees and bank branches. All the participants passed the exam, and the training team prepared certificates of achievement, signed by the EFS COP and Mrs. Maha Hussien Hamed,

General Manager Training and Human Resource Planning Division. The MBA English course material has since been finalized in both English and Arabic

SAIB - The Senior Mortgage Advisor met with Mr. Hassan Abdel Meguid, the Managing Director of Societe Arabe Internationale de Banque on June 12. Mr. Abdel Meguid expressed his desire to cooperate with EFS and suggested that he would set up a meeting with the MFA Chairman and EFS to discuss the possibility of arranging a presentation for the Egyptian Bankers Association. The EFS Senior Mortgage Advisor is coordinating with SAIB's Managing Director to start communicating with the MFA.

Export Development Bank of Egypt – The Task 1 Senior Mortgage Advisor met with Mr. Hisham Hassan, the Chairman and Managing Director of the Export Development Bank of Egypt. The Chairman indicated that as a specialized bank they are not interested in mortgage finance at this stage and that they can achieve better rates if they lend on the commercial side. The Senior Mortgage Advisor will notify the bank whenever there are training courses of interest.

Beltone Financial – The Task 1 Senior Mortgage Advisor and the Business Association Development Specialist met with Mr Ali El Tahry, the Managing Director of the Beltone who indicated that, as a specialized company, they are not interested in mortgage finance at this stage. However, they are interested in discussing securitization and other capital market activities when the market matures and clear guidelines are set forth.

Egyptian Gulf Bank – The Task 1 Senior Mortgage Advisor met with Mr. Omar Alseesi, the Managing Director of Egyptian Gulf Bank who confirmed that the Bank is in the process of formalizing their mortgage policy and they would either establish a mortgage finance company or they would offer the service through their branch network. He added that they had recently hired a Retail Banking General Manager who would be in charge of mortgages.

Al Watany Bank of Egypt - The Manager of the Technical Bureau of the Al Watany Bank of Egypt approached the Task 1 Leader and expressed interest in understanding more about the alternative mortgage instruments to start launching a product for the bank's employees.

United Bank - The Senior Manager of the Islamic Transaction Sector and the person in charge of mortgage finance at the bank approached Task 1 Leader and expressed interest in getting copies of the presentation and report on the alternative mortgage instruments workshop. He also requested the project's assistance to get them in contact with the MFA. The Task 1 Leader discussed the issue with the MFA Deputy Chairman, who welcomed the approach of getting them to participate in the communication committee of the MFA.

Training:

Mortgage Finance Training and Lenders Capacity Building – ShoreBank International - The second round of ShoreBank courses to be conducted with the EBI was postponed. The timing of the courses coincided with the week of the Euromoney conference. The next round is to be conducted in November 2007—for the first time in Arabic. The Arabic translation of the ShoreBank courses A & B are currently under review. An action plan has been developed for a second round of TOT in Q3 to address the current shortage of trainers.

MBA Course Material - The English course material was updated based on recent comments raised during the NBE-MBA course. The MBA exam was translated and is currently under technical review by Task 1. The Arabic course has been branded and was delivered to Trainers for feedback.

Microfinance - Task 1 Leader reviewed the user guide for the translation of the paper on "Fixed Rate Amortization Schedule". In April, the Task 1 Mortgage Lending Specialist compiled training CDs for the model developed by EFS COP and sent them to the NBD.

Observational Study Tours:

- OST for Chairman and Deputy Chairman - The Chairman and Deputy Chairman arrived in New York on May 19 to attend the 4-day National Secondary Market conference. They then traveled to Washington to attend various meetings with several prominent mortgage organizations and to attend the first day of the 2-day Government Housing Finance Conference. They were scheduled to return to Egypt on May 31 but requested a change in their schedule to fly back on May 29.
- Wharton Program - The "International Housing Finance Program" which took place from June 2 – 18, 2007 at the Wharton School of Business in Pennsylvania was attended by four advisors from the MFA, one participant from the GSF and two from the Ministry of Investment. The group was accompanied by Task 1 Team Leader as a technical escort. Participants returned June 19.
- OST for Regulatory Advisors - The participants returned to work on March 27, 2007. They were scheduled for the mandatory follow-on/evaluation meeting at USAID on April 19, but due to other work commitments, the meeting was rescheduled for May 17 at 10:00 am. The follow-on/evaluation officer shared the participants' feedback on the OST with the EFS training team after the end of the meeting.

Specialized Technical English Language Courses - The courses commenced on May 27, 2007 for the basic and intermediate level participants. The courses are being held at the premises of the LMDC. MFA requested to change some of the participant's attendance of classes due to other training engagements. The feedback received from the MFA on the program is very positive.

Capacity Building Programs for MFA -

- Twenty of the MFA advisors and senior staff attended a three-day management training workshop at Ain El Sokhna from April 26 – 28, 2007. The training was delivered by WestGate Consultants and the participants stayed at the Stella Golf Hotel. The MFA participants were highly responsive to the workshop and gave very positive feedback to the MFA Chairman and Deputy Chairman. The course was also attended by EFS's Senior Mortgage Advisor and Regulatory and Audit Advisor.
- The junior staff at the MFA received capacity building training by WestGate consultants at the MFA on May 28 – 29, 2007. The course entitled "Customer Service" skills was held at the MFA premises and attended by 25 participants.
- EFS is considering the idea of selecting other capacity building courses for the MFA staff and managers.

IT Specialized Courses - The IT specialized courses for the three MFA participants commenced on May 2, 2007. The participants attended the course at the premises of the training provider.

Trade & Investment Conference – Task 1 Senior Mortgage Advisor attended a one-day conference on April 29 entitled Egypt-Emirates Trade and Investment under the auspices of the Ministry of Trade and Industry of Egypt. The conference was attended by various banks, including the Arab African International Bank which co-sponsored the event.

Appraisal Courses - The training team met with the Task 1 team to discuss an outline for the proposal that would be sent to the MFA, including a plan for incorporating the EFS/AI appraisal courses into the Egyptian market. The meeting produced a rough draft of the proposal to be shared with the team leader for approval, before submission to the MFA. A SOW was drafted to recruit a local Advisor to make necessary amendments to the course.

Wharton Program in Egypt - The Task 1 Team Leader had a meeting with Wharton program officials during her attendance of the course in the US. It has been agreed that:

1. The Task 1 Team Leader would provide the list of suggested modules
2. The Wharton program director would check the availability of instructors and prepare a budget
3. The Task 1 Team Leader would develop a SOW
4. The HO would contact Wharton program director to finalize with her a fixed cost contract

The suggested timing for the course to be held locally in Egypt is the first 10 days of September, last week in October, or during the month of November.

Public Awareness:

Euromoney Conference - Task 1 prepared a list of materials to be included in the CD to be disseminated during the conference. EFS had a booth for itself and provided the booth for the MFA. The PA team worked on the design and settlement of the booths. The publications presented in the MFA booth included: info kit, updated mortgage finance flyer, and EBI training promotional brochure.

English Flyer Brochure - Task 1 Senior Mortgage Advisor and Task 1 Leader prepared materials for an English MFA brochure, promoting the Egyptian mortgage market, to distribute to foreign participants.

MFA Road Show – In response to a request made by the MFA Deputy Chairman during the weekly PA meeting on April 12 for the team to develop a communication strategy and recommend the best outreach tools and publications for the new urban community target audiences, the team devised a PowerPoint presentation capturing the main outreach tools and messages for this group. This document was shared with EFS Senior PA and Communication Advisor.

On April 18, the Road Show team was informed of the decision to suspend the assignment for the time being. On April 23, the team presented two deliverables to close the assignment: a draft communication and outreach strategy for new urban communities, and a report outlining the work of the short term advisors on the assignment.

Task 1 Team and EFS PA Team had an internal meeting to discuss the road show plan and implementation. Task 1 Financial Analyst prepared a list of team members from EFS and MFA that would attend the Road Show events and developed a list of the handouts to be presented at the on-site visits including a simplified PowerPoint presentation on mortgage finance that was presented to Deputy Chairman.

The MFA Deputy Chairman informed EFS PA team and Task 1 that the on-site visits to NUCs would start with the 6th of October area. Dates for on-site visits have yet to be determined.

Communication Committee - A meeting was held on June 28 to discuss MFCs participation in the public service ads. The PA ST consultant prepared a presentation in coordination with

the MFA Deputy Chairman and a tactical media plan. The agenda focused on the PA campaign for the coming period and the need for the MFCs sponsorship.

Consumer Survey – The Task 1 Research Assistant followed up with the Research Agency to send a revised version of the report comparing the results of 2005 and 2007. Upon the COP's request, the Task 1 Research Assistant used the final revised SPSS data file to generate outputs and general conclusions to be posted on the MFA portal and to prepare the final report, which was submitted to USAID.

The COP delivered a presentation to the MFA Chairman and Deputy on June 13 on the Consumer Survey results. In addition, they were provided soft and hard copies of the above mentioned reports. Upon the request made by the MFA Deputy Chairman, the Task 1 Research Assistant provided a copy of the data file and the questionnaires. He also requested outputs to be sent to him in SPSS format.

Mortgage Flyers – The PA team approached several design agencies for creative designs for 2 flyers (one English and one Arabic poster and stand for MFA). The PA team selected the best design agency to undertake the design for MFA publications. PA received the first draft of designs from the agency and communicated it to mortgage team. PA presented the different designs to MFA on April 29. MFA disliked the proposed creative concepts for the poster and flyers. Following the meeting held between MFA Deputy Chairman and the designer, the PA team delivered the amended design to the mortgage team for approval before printing. The PA team printed 5,000 copies of the Arabic flyer for MFA, which were received on May 10, 2007. As for the MFA English Flyer, the MFA approved the English text on May 10. Task 1 Team Leader, Regulatory & Audit Advisor and Mortgage Lending Specialist reviewed and signed off on the latest MFA amendments to the English flyer. The EFS PA team contacted the designer to print the flyer. The MFA Chairman distributed the flyer at a mortgage conference held in the UK on July 4.

Educational TV Program – Per MFA's request, the PA team prepared a letter soliciting insurance companies to sponsor the program.

Media Education Session – The event was held on May 10 at 2:00 pm at the MFA. A comprehensive media list was sent to MFA Communication Specialist. EFS provided catering services for this event.

Educational Documentary – ZAD, the agency working on the documentary, finalized the script for the documentary which was revised by the MFA Internal Affairs Advisor. ZAD finalized the locations' visits (apartments and a MFC) and conducted the focus group to get some feedback on the documentary in order to include them in the pre production meeting. After receiving the approval of the script, cast and locations, the shooting of the documentary ended June 22. The EFS PA team attended the two-day shooting of the documentary ensuring all MFA comments and modifications were captured. The first copy of the documentary was presented to EFS and the MFA during the first week of July, where the MFA Chairman and Advisors made additional comments. The agency presented the final copy on July 25.

Second MFA Documentary - As per the MFA Chairman's request to produce another documentary in 3D format, an internal approval was given by the COP. The PA team is currently working on compiling the required documents to prepare the RFP in cooperation with the EFS Operations Manager to start selecting the appropriate agency. Short-term SOWs were drafted for EFS, HO & USAID approval.

Public Service Campaign – The PA team prepared a media plan starting July per MFA's request.

Communication Specialist Training – The PA team is providing on-the-job training for the Communication Specialist at the MFA.

Consumer Protection Brochure - Consumer protection brochure contents were compiled by the Task 1 Mortgage Lending Specialist, reviewed by the EFS Senior Legal Advisor, and was sent to PA team for language simplification in the capacity for starting the design and printing process. MFA rejected the three designs and requested PA to work with the designer to use the same design of the Arabic flyer. PA delivered the new design to MFA and technical team for approval. The consumer protection brochure text is being translated before revisions of EFS PA team for language simplification in order to be sent to the MFA for final review.

IT Support:

MFA Leased DSL Line Extension - The MFA leased line extension purchase order was issued to Nile Online and service was extended for an additional year starting on April 1, 2007.

MFA System Integrator - Online Modern Solutions System Integration/Support contract for the MFA was extended for an additional period of 6 months starting from June 3, 2007.

Electronic Exam System - It was agreed that the electronic exam system would serve 20 participants at a time and 15 instructors. MFA Deputy Chairman gave the go-ahead to issue the RFP. Two proposals were received in response to the amendment and request for BAFO on June 26. The EFS IT System Specialist is reviewing the proposals. While prices are high, negotiations are expected to take place when the review of the proposals is complete.

Call Center Extension - Xceed was requested to submit a quotation. The HO signed the contract amendment to extend the service for one year starting April 9, 2007.

Financial System Implementation Assistance to the MFA - Twenty-three problems were originally identified by the short-term IT specialist. Giza system solved all the major problems pertaining to the system except one. Implementation at the end of the MFA Financial Department is up-to-date. The short-term financial systems specialist continued working on the assessment of the existing situation.

Final problems statistics after the last update installed by the system vendors are as follows:

	<u>Discovered</u>	<u>Resolved</u>	<u>Remaining Problems</u>
Major Problems	13	13	0
Minor Problems	35	34	1
Total Problems	48	43	1

MFA Backup Leased Line - Four responses were received. Two companies offered a real backup solution. The two other companies just offered a leased line without backup feature. A simple solution was offered by a fifth company and was accepted. The fifth company, Link.dot, was not invited by EFS to the bidding process since it was banned from bidding in USAID contracts in 2005. Link.dot offered a solution to MFA through MOI. EFS informed MFA that we cannot contract with Link.dot as they are banned, and MFA decided to try to contract with them through MSAD funding. To EFS' knowledge, this contract still has not been confirmed.

MFA IT Procurement Phase II Part 2 - The USAID contracting officer approved the contract. The order was issued by the HO to Future Net. Equipment was delivered to Chemonics HO and is on its way to Egypt.

IT Specialized Training Program – Proposals were received, the training provider was selected, and three participants have been enrolled.

Power Generator - Dr. Bahaa Abdel Mawgoud (short-term Electrical Engineering Advisor) started the assessment of the electricity generator. The ST Advisor presented a plan on the location and installation. Some issues regarding the gas tank were being investigated. A meeting is set for July 1 at the MFA with the Deputy Chairman, EFS Senior IT Manager and the ST Advisor to address the generator issues.

Document Management System - All MFA departments approved the design document except the Administration Department. Intercom started the development of the approved departments and implementation started on April 10, 2007. Intercom completed training on the system for the MFA users. ST IT Specialist, Ahmed Amin is implementing the system and supervising the data conversion process.

MFA Network Extension - Installation began for extending the MFA LAN to cover new areas of Towers No. 2 and 3 and the Training Classroom.

UPS for GSF - Purchase of UPS for the GSF was not approved by USAID.

IT Solutions to Lenders –As stated in the issued RFP, the 6 bidders were invited to attend a bidder's conference. The conference took place on May 9 at MFA. The conference was attended by the MFA Deputy Chairman, the Chairman's Advisor, representatives from the 3 operating MFCs, EFS, and representatives from 5 IT vendors and their local agents in Egypt. Several issues were addressed and immediately responded to. The bidders were informed that any further questions after the conference had to be forwarded in writing and the reply would be made to all bidders. It was also agreed to extend the deadline for submitting proposals to May 30, 2007.

Summit (Orascom) did not present a demo to MFCs on its IT system which is provided by Polaris Co. of India. In order to secure a fair competition among all participants, the vendor offered to conduct a demonstration to the MFCs. Task 1 Senior Mortgage Advisor and Loan Analyst attended the meeting along with representatives from the three MFCs on May 15, 2007 at the EHFC premises.

The EFS IT System Specialist reviewed the proposals. The feedback received from the MFCs regarding the received offers is that they are very expensive. Accordingly, the Task 1 Loan Analyst arranged to have a meeting between MFCs and EFS to discuss reassigning a coordinator for this task, as Mr. Kahki (the coordinator) resigned recently. They will also discuss their findings on the RFP and possible solutions to reduce the cost. The meeting is planned to be held on July 8 at EFS. MFA Deputy Chairman needs a status update on the MFCs ERP systems currently implemented to assess suitability of the MFA requirements and means of upgrading and integrating with the new lending software.

Regulatory Information Management System - EFS Senior IT Advisor completed the RFP for the regulatory system and sent it to the MFA on April 10 for review. On May 15, the MFA Deputy Chairman gave a green light to the Task 1 Leader to issue the RFP. The RFP for the Regulatory Information System was issued with a deadline of June 26, 2007. Proposals have been received and are under review.

Professional Associations:

The EFS COP and Task 1 Leader finalized the report developed by the Association Development short-term advisor on the current status of professional real estate business associations and agreed to hire her to fill the full time association position, in order to take actions with respect to implementing the aggressive recommendations presented in the report.

Mortgage Brokers Association - Mitch Medigovich arrived May 12 to work on developing training material for mortgage brokers. He reviewed each training module provided by MBA and ShoreBank and provided recommendations for improvement. The materials developed by Mr. Medigovich have been finalized by Task 1 and is ready for the TOT trainer. Some additional materials on the legal framework and related matters remain to be finalized.

Egyptian Mortgage Association (EMA) - The Association Development Specialist developed an initial plan to enhance the performance of the Egyptian Mortgage Association as it has been decided that EFS would extensively support the Mortgage Association technically and financially lift the association to become a sound representative of the mortgage lending industry. EMA needs to reform the board composition to include new market players and stakeholders such as the two newly established mortgage companies, GSF, EMRC, and some banks. Once the Board reform is completed, EFS would assist EMA hire and pay for an executive director and equip their independent premises.

Task 1 Team Leader and Association Development Specialist met with leaders of the Mortgage Association, Mr. Magd El-Din Ibrahim, Chairman, and Mrs. Hala Bassiouni, Vice Chairman, in addition to Mr. Abdallah Roshdy, Treasurer on May 28, 2007 to share EFS's proposed assistance plan. The EFS team and EMA leaders agreed on the proposed plan. EMA leaders will take actions to approach potential new board members and take necessary administrative procedures to reform the Board of Directors.

The Association Development Specialist followed up with leaders of the mortgage association on their pursuit of needed actions to reform the Board of Directors and invite new market players to join. EMA leaders sent out invitation letters to heads of the two new mortgage companies, Tamweel and Amlak, in addition to EMRC. EMA got positive feedback from EMRC as being a corporate member. EMA leaders would make personal contact with potential members.

MBA Annual Convention: EFS is arranging for an OST in the US for EMA leaders, to attend the MBA annual convention in October. EMA's leaders are eager to participate. Task 1 Association Development Specialist is coordinating with EFS training department to finalize the required documents and follow up on necessary procedures.

Egyptian Association of Real Estate Appraisers (EAREA) – The Task 1 Team Leader, Senior Mortgage Advisor, and Association Development Specialist met with Dr. Ahmed Anis, Chairman of the Egyptian Association of Real Estate Appraisers on May 24, 2007 to discuss future EFS assistance to EAREA. EFS plans to have a seminar on international practices related to the different levels of licensed appraisals. The chair of the Appraisal Qualification Board (AQB), Mrs. Sandra Guilfoil, would be invited to give a 2-hour presentation on relevant international practices. This should be part on a one-day event to be held during the third quarter of 2007 to discuss hot appraiser issues.

The Association Development Specialist developed an action plan for the EAREA event, with the aim of having the Advisor address two issues: appraisers' qualifications and property tax. A decision is yet to be taken with the Advisor who is not flexible in meeting EFS's needs, i.e., the time of the event, and is insisting on co-presenter. EFS may recruit other nominees such as Mr. Lee Hackett, Chair of AQB, as suggested by Dr. Anis or J.Villa,

Chairman of IVSC, or postpone the event from July until November as per the Advisor's request.

The Task 1 Association Development Specialist finalized an agreement with Dr. Ahmed Anis to incorporate localized sections to the AI Appraisal Procedures course material as per the technical comments sent by him. This action was concluded and documentation forwarded to training department to handle contractual procedures.

Contact with Dr. Anis was initiated to prepare for a new activity which is developing an Egyptian Supplement to the IVSC. Negotiations to obtain the necessary level of effort and the estimated timeframe are still ongoing.

A request for EFS assistance was received from the Treasurer of the Appraisal Association Eng. Amin Saed, to identify a Mass Appraisal training program used for tax purposes. The Association Development Specialist arranged and attended a meeting with Eng. Amin Saed and Mr. Medigovich, who explained some of the methodology used in this matter. The Association Specialist explained to Eng. Amin that because the issue is not related to mortgage it would not be within EFS's scope. However, a brief on the matter would be prepared for the EFS COP to share with USAID in the event another project can assist this pressing market need.

Egyptian Organization of Property Realtors: The Association Development Specialist attended the launching of the appraising diploma offered by Ain Shams University on April 28, 2007 in cooperation with the Egyptian Organization of Property Realtors. The event was opened by Dr. Ahmed Zaki Badr, Ain Shams University Deputy Chairman, Dr. Omar Helmy, Dean of Faculty of Law, Dr. Sherif Otifa, Senior Advisor to the Minister of Investment, and Mr. Sayed El Habashy, Chairman of the Egyptian Organization of Property Realtors. A brief about the event and diploma content was prepared and circulated to Mortgage Team.

Following the ceremony, Ain Shams University sent EFS a formal request to provide them with the American Appraisers Institute course material. EFS referred the matter to the MFA.

The Association Development Specialist met with Ms. Sanaa, Coordinator of the Egyptian Organization of Property Realtors, on May 21. Ms. Sanaa delivered a complete file of written communication between the Egyptian Organization of Property Realtors and the MFA regarding the organization's request to MFA to obtain AI course material to incorporate it in the Diploma curriculum. The Association Development Specialist developed a proposal presentation to MFA on the best use of the AI comprehensive course material and possible scenarios for ownership.

Developers Survey - Task 1 Financial Analyst prepared an action plan for conducting the developers' survey. As a kick-off for the survey, the Task 1 Senior Mortgage Advisor, Financial Analyst and Associations Development Specialist conducted the first meeting with the Mr. Fathalla Fawzi, Chairman of Mena Real Estate Company on May 29, 2007.

The COP met with Mr. Ahmed Badrawi, Director of Business Development at SODIC and expressed the project's interest in meeting with developers.

Task 1 Financial Analyst, Senior Mortgage Advisor and Association Specialist also conducted two interviews: RAMW on June 6 and SODIC on June 10. Two questionnaires were distributed, one of which explores interest in credit bureau information sharing. Both questionnaires will give great insight to the developers' activities in the real estate finance market and their potential reception of the mortgage finance system.

Task 1 Financial Analyst, Senior Mortgage Advisor and Association Specialist conducted two further interviews--DORA on June 21 and Saboor on June 27. The Task 1 Financial Analyst is preparing four call reports for the interviews conducted.

Legal Issues:

Regular Biweekly Meeting with Lenders' Legal Departments (MFCs and Banks) - The MFA Deputy Chairman suggested sending out an invitation letter to lenders, specifying a deadline for incorporating recommendations to the registry circular, noting that if no responses were received before April 12, 2007, then the MFA would assume that lenders accepted the circular. A meeting was held on April 15, 2007 at the MFA premises with lenders legal departments to go through the proposed amendments on the MOJ circular related to the tripartite agreement. The Regulatory and Audit Advisor and EFS Senior Legal Advisor attended the meeting in which an REPD representative was present to answer the lenders' lawyer's inquiries.

Follow-up on Foreclosure Cases in Courts - Upon a request made by MFA Deputy Chairman, based on his discussions with Counselor Mohamed Hosni, the EFS Senior Legal Advisor met with Mr. Ashraf Darweesh (lawyer of El Taamir) to prepare a memo explaining the article on foreclosure in the 148 law and state the foreclosure steps to be submitted to the judge executing the foreclosure cases. The case was transferred to another court to be handled by another judge who is aware of the foreclosure articles in the mortgage law. The MFA was asked to send a formal list of the foreclosure agents to the MOJ to be assigned by the judge. A list of certified appraisers was delivered to the courts as well.

Follow-up on Training for Executive Judges - The MFA Deputy Chairman stressed the need to increase the number of training courses for judges on foreclosure. He agreed to have an EFS course along with the workshop, being held by NSCJ. The EFS Senior Legal Advisor contacted Counselor Mohamed Hosni to discuss means of starting another round of foreclosure training for judges.

Status of Training for Foreclosure Agents - The MFA Deputy Chairman noted that the training course for foreclosure agents was on hold which was attributed to some internal replacements taking place at the MOJ. Once he gave the go-ahead, the training resumed early June.

Status of Legal Committee - Task 2 and counterparts involved coordinated issues related to registration obstacles and 34 issues were identified. The Task 1 Regulatory and Audit Advisor prepared a SOW for Counselor Dakroury for activating and chairing a legal committee with the mandate of studying required amendments to the executive regulations of Law 148, as well as coordinating different governmental authorities to facilitate the implementation of registration for the tripartite and contract and property registration. The MFA Chairman is to set a date to start the Legal Advisory Committee chaired by Counselor Dakroury with the mandate of implementing the recommendations on registration and review of mortgage laws.

MOI Mortgage Steering Committee - Another Advisory committee was formed by the Minister of Investment. The committee is chaired by Mr. Osama Saleh, MFA, and comprises Mr. Tarek Amer, Deputy CBE Governor, Counselor Ahmad Shawki, Ministry of Justice representative, Mr. Mohammad Fathi El Sebaei, Ministry of Housing representative, Dr. Sherif Oteifa, Ministry of Investment representative, Mr. Mostafa Abdel Latif, Ministry of International Cooperation representative, Eng. Mariam Metri, ESA representative, Mr. Ashraf El Kady, MFA representative, and Mrs. Eman Esmail, EMRC representative.

Recommendations on the facilitation of the registration procedure were discussed at the Advisory Committee's first meeting early June.

Training to Stakeholders – Multiple training sessions were conducted by the EFS Senior Legal Advisor on Mortgage Finance Law and Regulations at the bank workshops organized by the MFA.

Documentation Standardization and Consumer Protection – The EFS Senior Legal Advisor will initiate contact with counselor Said El Alfy to check the status of the consumer protection law accommodating EFS proposed disclosure forms and installments sales regulations.

ST Legal Advisor Arthur Dimas is expected to start work on documentation standardization and consumer protection during the last week of July. It is requested by the MFA Chairman to have Dr. Amr Hassanein to participate in the assignment of Loan Files Standardization with the ST Legal Advisor to ensure standards of good ratings.

Lawyers Syndicate Fees - A critical issue was raised by EFS Senior Legal Advisor about the registration fees of the seller's contract (transaction prior to the mortgage tripartite agreement). The seller's contract registration is subject to the Lawyers Syndicate Fees. The MFA Deputy Chairman requested a paper explaining the issue and a table calculating the fees on unit prices up to the ceiling amount. The informal deliverable was prepared and translated.

Microfinance:

Habitat for Humanity (HFH) - The COP met on April 26 with Larry English, head of the Africa and Middle East Area Office, and Yousry Makar, National Director, to discuss HFHI's large-scale housing project in El Minya Governate. The discussion focused on possible ways for HFHI to sell or securitize mortgage or, more probably, signature housing micro finance loans made to participating families. The COP suggested that EFS might be helpful in assisting them to determine if the land granted by GOE to the project could be used as collateral, options for selling loans, and work with a local firm that could be contracted by HFH to do financial modeling and analysis for the project.

The COP later met with Nicolas Retsinas, Chairman of the Habitat board, and Matthew Maury, Area Vice President for Africa and the Middle East, along with local staff to further discuss options for restructuring loans that HFH would make under the projected project. Importantly, the HFH team had met earlier in the day with the Minister of Investment and the MFA Chairman, both of whom strongly welcomed the HFH initiative. It seems likely that units produced could be counted under the GOE's 500,000 unit program.

The Aga Khan Agency for Microfinance - The COP and Mortgage Lending Specialist met on May 2 with Sadrudin Akbarali, Senior Manager - Microfinance Programmes, and Ashraf Nassif, Executive Director – First Microfinance Foundation, to discuss their current housing programs in Egypt. They are currently focusing their efforts in the Aswan and Darb al Ahmar. The COP suggested that EFS might be helpful in assisting them in developing their housing products.

Analysis of Home Improvement Expenditures in Cairo by Low Income Households - As per the request made by the Ministry of Investment, the Chief of Party developed a letter for formally requesting the data and ensuring its confidential use. The Task 1 Research Assistant contacted the Ministry of Investment requesting them to send through the data files for the TAPR II study. After receiving the formal letter drafted by the COP, the Ministry of Investment sent EFS a CD of data and information files. These will be used later to provide an in-depth analysis by the Task 1 Research Assistant.

Upon the request made by the COP, the Task 1 Research Assistant completed the analysis on home improvements in greater Cairo. The COP used some of the analysis to prepare a short paper on Housing Microfinance for use by MFIs.

Mortgage Links - As per the request made by the Task 1 Leader, the Task 1 Research Assistant prepared a link to be posted on the Mortgage Department library covering several statistical topics. This link is now ready on Mortgage Link and will be used by the Mortgage Team to help them conduct research or study.

PMP – Task 1 Research Assistant updated most entries in the Excel data files as per the new information received from EFS responsible staff.

MME System – The Task 1 Administrative Assistant, the Regulatory and Audit Advisor and Task 1 Leader worked on updating the variance budget and the recruitment trackers requested by HO.

B. Activities Scheduled for Next Quarter

- Complete the Developers Survey and prepare a final report on the findings
- Provide TOT training for the ShoreBank and MBA course material
- Provide TOT training for the Mortgage Brokers Course
- Support the Egyptian Mortgage Finance Authority, in efforts to stimulate lending by mortgage finance companies and commercial banks to increase the number and flow of mortgages
- Solicit Capacity Building Courses for MFA staff
- Set the MFA training facility, finalize procurement of furniture
- Install the MFA regulatory System and start implementation
- Start Phase II of MFA regulations for EMRC
- Start ST Legal Advisor work on Standardization and Consumer Protection
- Begin on-site visit of the Road Show
- Contract an agency for the second MFA documentary
- Organize an MFA stakeholders event

C. Challenges Encountered and Proposed Remedial Actions

Challenge: Phase out developers from providing finance
Proposed Action: Add an article to the executive regulations of the new consumer protection law relevant to sales installment

USAID Support: Assist in identifying contact people at TAPR II and USAID

Challenge: Acquiring an adequate mortgage software
Proposed Action: Search best solutions and collaborate with MFCs to buy or build the required software

USAID Support: Explore the possibility of sharing the high costs with the MFCs

Challenge: Qualified Staffing at GSF
Proposed Action: Hire qualified advisors
USAID Support: Initiate an Implementation Letter for GSF Challenge: Enforce the disclosure forms on sales installment through the consumer protection unit

Proposed Action: Activate the Legal Committee

USAID Support: Assist MFA to fund advisors

TASK 2: IMPROVE OPERATION OF URBAN REGISTRATION SYSTEM IN THE MINISTRY OF JUSTICE

Key Accomplishments

A. Activities Performed During Quarter

Task 2 Work Plan Review/Revision – The Task Leader undertook an extensive revision of activity schedules for the Task 2 work plan. This included a major revision of actual activities associated with Public Awareness due to the need for a more targeted awareness campaign that was not recognized by the former Task Leader. MM&E also had to be updated to reflect this, along with the addition of PA associated LOE that had not been entered in MM&E by the former Task Leader.

The Gantt chart also reflects the recent establishment and activities associated with the Stakeholder Working Group, which is currently revising the REPD technical instructions. The next step will be meetings to revise Executive Regulations, and perhaps even Law 114 itself. To this end, 12 days LOE for Justin Holl was included in the work plan, with DCOP verbal approval, for finalization of the regulations and conduct of a stakeholder workshop in August. Time previously allotted to Sean Johnson for the second half of the year was reduced to help accommodate this and also reflect a slight shift in technical focus for those planned inputs.

MM&E and the corresponding Gantt chart now give a significantly more realistic picture of planned activities, timing, and costs.

It has become clear that the issue of expanded assistance, at the request of MSAD and with agreement of USAID, has resulted in significant uncertainty of additional activities and timings for Task 2. These will not be resolved until completion of the due diligence process described below, and the development of the 2008 draft work plan. These are expected to be completed by the end of August.

Task 2 Visit to MCIT for Lessons Learned – Task 2 staff visited the Ministry of Communication and Information Technology (MCIT) at the Smart Village on April 3. The primary focus of this visit was to gain an understanding of lessons learned by the Ministry during their project, which is computerization of the rural cadastre and registration system.

MCIT does not currently conduct field verification of the conversion process. During the process, they have found that there are approximately 25% of all cases where what exists on paper ESA maps, does not correspond with the REPD register. Under some studies conducted through the ECIM Project it was found that maps and registers reflected less than 25% of what really exists on the ground.

MCIT expressed its wish to learn of any process improvements EFS is able to introduce with REPD and ESA through the revision of technical instructions. The current processes followed are almost identical for both deeds and title systems. EFS did indicate the possibility of inviting MCIT to the workshop that will be conducted when the recommended revisions to instructions are presented to Counselor Hosni at the end of April. This did not occur due to miscommunication of the recommendations.

Procurements for MRO/EPO/ETC – The IT team forwarded the necessary documents such as commodities schedules, statements of work and technical specifications, to Home Office on April 3.

The technical specifications for the procurement for the MRO, EPO service center, and the ETC were finalized on June 5 by removing the brand name for the servers and workstations. It was decided to remove the brand name “or equal” language from the system specs to provide flexibility in complying with procurement rules. Those preparing the specs were concerned that the counterpart may not accept IT from a vendor if the brand is not specified and that the project should get written confirmation from MSAD that any brand that meets the specs and USAID procurement rules will be sufficient for the MRO, EPO and ETC. Emad Hassan had already agreed to this orally in the presence of USAID in March, and most likely would not provide further written confirmation that any brand that meets the specifications would be sufficient. That agreement had been stated in follow up notes to the meeting, which was sent to Emad Hassan by email for review. No further word on the issue had been forthcoming from Mr. Hassan. However, the Task Leader directed HO to move forward without having to adhere to the previous IBM brand name requirement.

Hanaa Bashari is now going forward with an RFP for the remodeling of the MRO, the South Cairo office, the EPO and the Task 2 office space in Mokattam. She will do this in 3 or 4 separate RFPs, since she does not want one site to hold up work on the others.

Mokattam MRO Space – On June 17, 2007 the project received approval of the final lease agreement for the MRO. On June 18 the MRO lease was signed and the property is now ready for remodeling and IT installation. The term of the lease is 14 months commencing on July 1, 2007 and ending on August 31, 2007. Rent will be paid in quarterly installments at a rate of 10,000 L.E. per month. At the same session, the Court Housing Fund signed a lease with the owner that commences on September 1, 2008 and is for a period of five years with an option to extend for an additional five years with a 10% escalation of the rent. This displays a solid confirmation that the MOJ is firmly on board with the plans and objectives for the model registration system.

The project construction consultant visited the MRO on June 24 to reconcile the proposed layout for the premises against the existing structure. Several questions were raised, primarily regarding the proposed partitions in the work spaces. He met with Hassem Hemeda who clarified that the final specifications and projected costs can be given to Hanaa Bashari to prepare a tender for the construction work. The partitions that will be installed will not be ceiling to floor so as to allow proper circulation of the air-conditioning.

The consultant also reported that there were no outside windows in the designated space, that there was no finished flooring and that although there is appropriate space for two bathrooms, the space had not been framed in and no bathroom fixtures had been installed. The space is in the condition that had originally been contemplated and all other space considered in the fall of 2006 was in the same condition. Nevertheless, Ali met with the owner who agreed to frame in the windows to the outside, and finish the bathrooms. The bathroom fixtures will be part of remodeling completed by EFS, as will be the flooring. The next step is to install the network and the IT infrastructure before finishing the floors.

Due Diligence for Expanded Assistance Requests from MSAD – Under Task 2, planning for the Mokattam MRO included it being established and operated with the LRS application software, which would be donated for the purpose. Emad Hassan has asked that the LRS software be made compatible with what would be used in future title registration offices. This meant that LRS, rather than use an open source solution would have to be made compatible with IBM Websphere, which is not open source in complying with MSAD’s

specifications. Emad subsequently has requested that LRS not be used at all in the Mokattam EPBDS.

A complete due diligence is necessary to determine what the advantages and disadvantages of the various options are for USAID and the project and what each option would cost. A SOW has been developed to engage Peter Rabley in developing a plan for the due diligence.

Peter Rabley arrived on June 26 to work on a due diligence inquiry for determining options for USAID. Peter, Ray, François and Ibrahim Sabri met to discuss the course of work and possible options that may present themselves during the course of the due diligence. On June 27, Peter, Ray, François, Maha, Ahmed Hussein El-Sayed, and Justin met with Emad to discuss the issues, potential options and the further course of work so that Peter can make a detailed analysis of the options. Emad has arranged a meeting with IBM for July 1. On June 28, Peter, Ray, François, and Ibrahim Sabri met with Tarek from QSIT to discuss issues and options. Peter will report options, schedules, necessary resources, and budgetary matters to Paul Bruning on July 2.

Cairo EPO - Fatma Kader and Hassem Hamedia visited the Cairo EPO on June 3, 2007 to make an initial investigation into the establishment of a customer service area in support of the Mokattam district deeds recording activity. On June 6 Hassem and Fatma visited the EPO customer service area with the Construction Supervisor consulting for Task 2 to make an inspection of the computer center area in order to be able to determine what will be required for refurbishment and network setup. Hassem has prepared a floor plan for the area.

In a related matter, Eng. Ahmad, Head of the Region Housing Service Area at the Mokattam, municipality requested a map and satellite image of the administrative boundaries for Mokattam. A framed copy of the one prepared with the assistance of Task 2 was delivered personally by Fatma on June 11. The city has since requested a second copy and that is being prepared and framed for delivery.

LADIS – On June 19, Hassem Hamedia communicated with LADIS through Emad Hassan, and Kholoud from QSIT, since LADIS had stated that there has to be some sort of official agreement prior to any technical meeting. Hassem did, however, learn that the scanned deeds contain better indexing than had previously been thought. Originally it appeared that the only method for finding the scanned documents for the Mokattam district was by preparing lists of document numbers from Mokattam and then locating the corresponding documents in LADIS. Actually, the LADIS scanned instruments are indexed by the names of parties, postal address, and "shyakha". The Shyakha is an administrative boundary which would normally allow the segregation of the relevant deeds from the general database by location. However, Mokattam has only recently been assigned its own Shyakha after previously falling under the same area as Khalifa. More work will be required for the filtering of the almost 3200 scanned deeds in Mokattam.

Parcel Index Mapping Tender – Cairo Engineering and Global Geobits submitted revised financial proposals in the first week of April, on which, negotiations commenced. Despite Global Geobits being ranked #1 technical and financially for all three zones, EFS stuck by its initial goal of having the work spread between at least companies, and offered Zone C to Cairo Engineering. This zone is where Cairo Engineering's final score was highest amongst the three zones, meaning the price differential with Global Geobits was the smallest. The price differential was still quite significant however.

Negotiations with Cairo Engineering yielded minor reductions, but the differential against the Global Geobits price remained a concern for Task 2. Task 2 subsequently commenced

negotiations with Global Geobits for all three zones. The outcome was a decision to contract Global Geobits for all three zones. The total cost for the activity would have been almost \$60,000 higher if Cairo Engineering had been awarded the contract for Zone C. It was felt that this could not be justified to USAID and did not represent value for money.

On June 25, Hanaa Bashari and Maha Schroder met with Mona Beshai to try to settle the issues surrounding the Global Geobits contract. Ms. Beshai requested that EFS contact Global Geobits to remove some of the taxes from which EFS and USAID are exempt and ask that Global Geobits provide a certification with their staff salaries by labor category setting out the daily rates. Dr. Ghazali sent this information regarding the changes to EFS on June 26. USAID also requested that EFS submit detailed cost notes, which Hanaa and Maha prepared and submitted to USAID on June 26.

On June 27 Maha received CO consent to the subcontract and Maha made the appropriate updates to the budget and the deliverables schedule and asked Justin and Noel to approve the schedule. Noel reviewed the deliverable schedule as did Justin, Fatma and Dr. Nokrashy and with slight modifications forwarded the new schedule to Hanaa. The subcontract is now ready to be signed.

EPBDS & ICRS Contract – During early quarter meetings and communications with MSAD, two key issues were raised that have the potential to impact significantly on this activity in terms of both time and cost. MSAD made it clear that it would like to have automation of deeds registration processes in the main REPD offices funded by EFS. This is despite agreement with REPD on how the MRO will handle these processes manually, including having a Main Office representative in the MRO.

MSAD has also raised objections to the existing application server (JBoss) in use for the ILS LRS software. MSAD has requested that Websphere be adopted as the application server to ensure compatibility with the national program.

Sergiy Lizenko continued to work with QSIT to update the draft SRS and to make recommendations to add the SCRO. An updated SRS was submitted to Task 2 by Sergiy on June 27 and is presently under review. One of the significant areas in which it is updated is in the use cases for the types of transactions that will be presented for registration. Among these he included the detailed steps for the registration of mortgage finance agreements. This update was based on several sessions with Ali, a visit to the SCRO and a review of past Task 2 legal reports.

All work under the task order for QSIT to develop and configure EPBDS and ICRS was suspended, with the exception of SRS completion, pending the outcome of the due diligence being undertaken by Peter Rabley and Ibrahim Sabri.

Mokattam RO Service Area – The Task Leader and Local Cadastral Systems Experts met with Emaar Misr on April 4 to identify the Northern boundary of the company's concession area. The outcome of this meeting was a minor revision of the Northern boundary as expected. Emaar Misr representatives were also very happy and excited to hear of EFS plans to establish the MRO in Mokattam and include the development in the MRO service area.

A revised service area boundary map overlaid onto Very High Resolution Ikonos satellite imagery was forwarded to the Head of Mokattam and Khalifa Districts for formal approval on April 8. Discussions with the Head of the Housing Department from Mokattam Municipalities indicated extremely high levels of satisfaction with the maps submitted from their side.

Later that month, Task 2 received a letter from the Head of Khalifa and Mokattam Municipalities, which outlined formal agreement with the service boundaries proposed by EFS. These boundaries were also sent to the Cairo Governorate.

Working Group on REPD Instructions – Justin Holl arrived on April 7 to assist the Working Group in the revision of the technical instructions. He has indicated that meetings progressed very well in determining new positions on a number of key areas where process improvements can be adopted.

On June 19, Task 2 Chairman Hisham addressed formal comments on the recommendations of the WG and on the EPBDS Workshop held November 22, 2006 to Counselor Hosni with a copy addressed to Noel as Task 2 Team Leader. Counselor Hosni has delegated to EFS the responsibility of officially responding directly to Chairman Hisham on behalf of the MOJ. This displays a high degree of confidence on the part of Counselor Hosni in the professional and technical skills of the EFS Task 2 team. Mosaad has prepared draft comments to the letter regarding the workshop and Ali has prepared a response to the comments regarding the WG recommendations. These will be reviewed by Noel and Justin and forwarded to Chairman Hisham.

Ms. Mekhael Habib Ebtisam, attended a Cabinet Meeting on June 26 at which the extension of her tenure as Director of the REPD was an agenda item. No decision has yet been made whether she will continue in that capacity with the REPD.

Ms. Ebtisam also visited the RTC to observe firsthand the Basic IT Training course that was conducted by EFS for both members of REPD and ESA from June 17 to June 28. Her call on the center was in anticipation of an upcoming visit to the training center by the Prime Minister. The Prime Minister's visit will showcase one of the significant achievements of Task 2 to the highest levels of the GOE. Thereafter, Ali met with Ms. Ebtisam and she expressed that she was very impressed by the facilities and had high praise for the course. She encourages further IT and substantive training for the staff of the REPD.

Another topic of discussion between Ms. Ebtisam and Ali concerned the steering committee which would evaluate the deliverables under the QSIT contract. A formal request had been delivered to Ms. Ebtisam in June asking that she assign a management person and a technical person to serve on the steering committee. Ms. Ebtisam would like more information regarding the work to be performed by committee members and the time commitment it would require. Ali and Kholoud, from QSIT, had a meeting on Saturday, June 30 with the assistant to Counselor Hosni to arrange for further meetings between QSIT, Counselor Hosni and others from the MOU, and Ali. Ali informed Ms. Ebtisam that he had visited the SCRO on several occasions and that issues for the arrangement of space in the tight accommodations in that office must be resolved. He was informed that the Undersecretary of the REPD, Mohamed Galal Al-Deeb would resolve the space issue.

Mrs. Ebtisam was further informed about the signing of the lease for the MRO and that the procurements for renovation and acquisition of the IT are proceeding.

Task 2 Office – On June 19, Fatma, Hassem, and Dr. Nokrashy searched in Mokattam to locate appropriate alternative space that a Task 2 office might occupy. Three locations were identified which meet the Task 2 criteria for selection regarding proximity to the MRO, the appropriate size, the requisite degree of completeness, and a monthly rent payment in accordance with the budget. The location that is currently under consideration is on the ground floor of a building approximately 15 minutes walking distance from the MRO, has two entrances, has never been occupied, and has quality finishing. The rent asked was 1500 L.E. per month.

On June 25, Justin and Hanaa Bashari agreed that EFS would move immediately on the office space that has been inspected by the Construction Consultant and that a lease should be signed as soon as possible to commence on July 15. On June 26, Fatma and Hassem called on the real estate broker in Mokattam to arrange for negotiations for Hanaa. This space should need little or no renovation, so the next step is to prepare the computer network and start moving in once the lease is signed. Hanaa contacted the owner and was informed that the asking rent has been raised to 2000 L.E. per month.

Steering Committee - On June 18, Mosaad, Fatma and Kholoud, QSIT, met with Chairman Hisham to discuss in detail the establishment of the steering committee to review the configuration and development of the registration system and approve deliverables as they are presented to EFS and the counterparts. Chairman Hisham was asked orally to nominate one senior management person and one technical person to be a member of the steering committee as per the formal letter sent by Justin to Chairman Hisham on June 12. On June 27, Chairman Hisham nominated 3 persons from ESA to serve on the steering committee. A similar request has been made to REPD and MSAD, but both of these organizations have asked for further information before committing persons to the committee.

Public Outreach Flyer - On June 24, Noel reviewed the public outreach flyer that has been written to inform the public regarding the PIM field teams and the importance of their work. Noel found that the draft flyer did not accurately describe what would be happening in the field in Mokattam and what type of data and cooperation would be expected of the citizenry. Justin rewrote large portions of the flyer and then worked with Fatma Kader, Mosaad Ibrahim and Dr. Nokrashy to ensure that the flyer would serve the purpose for which it is intended. The final version was forwarded to Karen Roland on June 25 to submit to USAID to seek exemption from branding requirements. Since this flyer will be passed out to the citizenry in the Mokattam district to explain the activities of the PIM field teams the consensus is that prominent branding by non-Egyptian agencies will compromise the effectiveness of the flyer and diminish the willingness of Mokattam residents to cooperate with the PIM field workers. The intent is that the flyers be issued by ESA, which will lend credibility and assure the residents in Mokattam that the field work is a vital part of a legitimate program to improve registration in the district. Karen drafted a formal branding waiver request for Ray or François to sign and submit to USAID.

Mokattam Administrative Boundary Maps – On June 20, Ray requested that Task 2 have Mokattam Administrative Boundary Maps printed and framed for Counselor Hosni, Madame Ibtesam, and Chairman Hisham. The municipality has asked for a third to present to the Cairo Governorate. These maps are in color, attractive, properly branded, and represent a noteworthy achievement for Task 2. This is the first time in 25 years that the administrative boundaries have been determined and mapped.

Training:

As result of two years' of preparatory work by Task 2, several courses are now being offered for REPD and ESA staff. These are proving to be very well-received, both by agency leadership and participants. Based on these early positive returns, training will figure prominently in the 2008 work plan.

REPD Core Curriculum Training – Training on RPD Core Curriculum finished on May 17. Feedback was extremely positive and the REPD has already expressed interest in expanding the training to staff outside Cairo. It is likely that EFS will be requested to provide assistance in training additional REPD training staff. The staff of the MRO will next be trained on basic IT skills and customer service basics during June.

ESA Cadastral Operations Course – Training on the cadastral operations course began May 6 and was completed on May 24 for 15 private sector staff and 15 ESA staff. Some ESA staff also participated in the planned basic IT skills and customer services training alongside REPD staff in June. Development of the ESA Certificate in Cadastral Surveying I is scheduled to commence in the second half of July.

IT Training – The 2-week basic IT training for 22 staff from REPD and ESA commenced on June 17, 2007. This is an important undertaking to ensure acceptance and sustainability of the IT systems to be installed. Operational training on the systems will be conducted once the Beta version is delivered.

Customer Service Skills – The training team received a request from Task 2 to arrange for REPD and ESA participants to attend a “customer service skills” course. The training team is currently identifying a suitable training provider for this course. The course should commence after the completion of the basic IT course.

B. Activities Scheduled for Next Quarter

- Complete due diligence activity to identify, and commence implementation of, preferred option for development/configuration of EPBDS
- Identify all IT and non-IT needs associated with automation of SCRO
- Complete tendering process and undertake procurement of equipment and office upgrade for MRO, EPO and ETC.
- Request approval for IRM revision to include SCRO requirements
- Supervise and monitor PIM activities being undertaken by Global Geobits
- Develop ESA Certificate in Cadastral Surveying I Course
- Run second Cadastral Operations Course for ESA Staff
- Run second REPD Core Curriculum Course for REPD Staff
- Run Customer Services Course for selected REPD and ESA staff
- Identify office space and relocate Task 2 to Mokattam
- Follow up with REPD on revision of technical instructions and executive regulations for Law 114/1946
- Collaborate with counterparts in developing draft 2008 work plan
- Design and conduct registry services consumer survey
- Collaborate with REPD in development of Communications Strategy

C. Challenges Encountered and Proposed Remedial Actions

Challenge: To bring about significant legal reform to Law 114/1946, its supporting regulations and technical instructions

Proposed Action: Formation of a Working Group consisting of REPD, ESA, NUCA, MFA and MSAD to recommend initial revisions to REPD technical instructions before moving on to executive regulations and law

Challenge: To reengineer, simplify, automate and then implement the improved personal deed system in Mokattam without conflicting with existing law and ensuring MSAD support

Proposed Action: Revise reengineering and simplification strategy to adopt only those recommendations that can be implemented immediately without legal changes, while building in adequate system flexibility to adopt new processes in the future

Challenge: To make registration culturally acceptable and popular with the public

Proposed Action: Gain a better understanding of public knowledge and attitudes towards registration and use the results as the basis for designing and delivering a broad based public outreach and awareness campaign aimed at increasing registration

Challenge: Unanimous stakeholder support and acceptance of proposed IT systems and their configuration

Proposed Action: Build steering committee mechanism into software contracts to ensure functional requirements of process owners are addressed as are technology and integration requirements of MSAD as coordinator of national program

Challenge: Ongoing lack of capacity within HR pool of REPD and ESA for successful implementation of model registry and cadastre environment, and its subsequent roll out at the national level

Proposed Action: Comprehensive training programs based around initial training on core concepts before moving through to basic IT skills, customer services and actual operational training

TASK 3: DEVELOP FRAMEWORK AND PROCEDURES FOR SECURED LENDING AND NEW FINANCIAL INSTRUMENTS

Dr. Ahmed Saad was hired as a new Chairman of the CMA effective June 28. Dr. Saad is a professor in finance, former Deputy Chairman of the CMA, board member of CASE and board member of the Egyptian Investors Protection Fund.

A. Activities Performed During Quarter

Key Accomplishments

Short Selling and Margin Trading - On April 2, 2007, Senior Financial Advisor Ahmed Hussein and Senior Legal Advisor Shamsnoor Abdul Aziz drafted a memo on short selling to addressing legal issues related to exercising ownership rights by securities lender. The memo was discussed with the CMA chairman on April 17. Meanwhile, Ahmed finalized the draft report of short-term advisor Charlie Rubin on testing MCDR and CASE systems for short selling.

Deputy Chief of Party François Pépin and Ahmed Hussein met with CMA Chairman Dr. Hani Sarie El Din on April 17 to discuss implementation of recently issued regulations on margin trading and short selling. CMA Chairman requested EFS assistance in implementation of margin trading as a first priority. List of technical assistance in this regard includes:

- Draft CMA rules on margin trading;
- Develop a model contract to be used by brokers and custodians for margin trading;
- Define training requirements for brokers and custodians to be authorized to deal in margin trading;
- Draft a publication for investor education in margin trading.

EFS started technical assistance by drafting a publication on margin trading for investors. The publication was produced and distributed by the CMA investor education department at the Trend Conference on Stock Exchange held May 2-6, 2007

Government and Corporate Bond Markets – The CMA Chairman requested EFS technical assistance in developing rules for surveillance of trading in government bonds by primary dealers of the Ministry of Finance. This issue is of mutual interest to the CMA, CBE and MOF. Short-term advisor William Stahl arrived on May 27 to enhance the legal framework on corporate and government bond markets. William Stahl, Shamsnoor Abdul Aziz, supported by legal and financial researchers Ashraf Ahmed and Rania Samir, worked on reviewing the applicable regulations and proposing changes needed to activate bond markets. Proposed changes include provisions of capital market law and its executive regulations related to bond issuance, listing and trading. Main changes proposed were to streamline the issuing process of corporate bonds including elimination of requirement for shareholders approval for issuance of corporate bonds, allowing for private placement of bonds to qualified institutional buyers (QIB) and qualified investors with lesser disclosure requirements and elimination of bond rating requirement to accelerate issuance process and minimize issuance cost.

In this regard, Financial Analyst, Rania Samir reviewed the following documents for applicability to Egypt's bond markets:

- Objectives and Principles Of Securities Regulation International Organization of Securities Commissions
- A Resolution on IASC Standards Passed by the Presidents' Committee
- The Development Of Corporate Bond Markets In Emerging Market Countries
- Transparency Of Corporate Bond Markets Report Of The Technical Committee Of The International Organization Of Securities Commissions May 2004
- IOSCO Moves to Strengthen International Capital Markets against Financial Fraud
- General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations Report of the Technical Committee of the International Organization of Securities Commissions

GOE Bond Index - The MOI Capital Market Advisor Mohamed Farid requested assistance from EFS to construct an index for Government of Egypt bonds. Ahmed and Financial Analyst Rania Samir gathered data on the GOE bond market that was provided to Ryan Labs, who built the Dow Jones Index and has been contacted to discuss possible assistance. There are three types of domestic government bonds in Egypt: Treasury bonds, housing bonds and development bonds (in US \$). The treasury bonds are the most important in terms of value and maturity. The other two are immaterial. It was agreed upon with MOI not to combine those two types in a master index with treasury bonds, to avoid a misleading index. Combining the corporate bonds with treasury bonds will be misleading as well.

The EFS Task 3 team is pursuing discussions with MOI on the appropriateness of this index, and involved short-term advisors William Stahl (Regulatory Bond Market Advisor) and John McPartland (Financial Derivatives Operations Advisor) in a meeting with Mr. Farid on possible alternatives (conversion factors, futures contract, etc), prior to firming up a plan of assistance to create such index, if appropriate.

Collateral Registry - A meeting with GAFI Chairman Dr. Ziad Bahaa El Din and Deputy Chairman Mrs. Nevine El Shafei was convened by Senior MOI Advisor H.E. Abdel Hamid Ibrahim to address the leasing reform and EFS assistance. Mr. Ibrahim also raised the subject of the movable collateral registry, as a tool to improve access to finance, an element of reform raised recently by the World Bank assessment. A productive discussion ensued, and EFS and GAFI will design an action plan for implementation after leasing activities begin. The EFS short-term advisor Yair Baranes would likely be fielded then to present the vision of a collateral registry reform.

On April 15, 2007, representatives of mortgage finance companies and more than 15 banks had a meeting at MFA where they were discussing the registration procedures of the real estate registry. EFS Senior Legal Advisor Shamsnoor Abdul Aziz made a short presentation on the collateral registry as to activate article (2) of the MFL and article (13) of its executive regulations. The idea of establishing a movable collateral registry in Egypt (where only 10% of the real estate is registered) looked as a light at the end of the dark tunnel of registering immovable collateral. With the movable collateral registry, the banks and companies will be able to cover the risk until the real estate property is registered in the name of the investor and the loan note in the registry margin has an official priority. The representatives and MFA Deputy and legal consultants believe that the collateral registry will enhance the MF tripartite contract and investor's access to finance.

Task 3 Legal Researcher Ashraf Ahmed developed research on the legal foundation for establishing a registry of movable collaterals in Egypt. The research findings will be used in discussion with GAFI and Collateral Registry Advisor Yair Baranes.

Commodity Futures Market – After the presentation of an outline of the legal framework of commodity futures exchange to the MOI in March 2007 by EFS and FSVC, the two projects went ahead in the second quarter to help MOI draft the legal and regulatory framework.

After intense and highly selective recruiting for six months, EFS hired Regulatory Advisor Mr. Paul M. Architzel, to draft the commodity futures market regulatory framework. Mr. Architzel, currently a commodity futures practicing lawyer at Alston & Bird in DC, gained legal and regulatory expertise during 25 years at the Commodity Futures Trading Commission.

Paul worked closely with Ahmed Hussein and legal advisor, Shamsnoor Abdul Aziz, to cross reference Derivative Market international requirements with the Egyptian laws in force. Financial Analyst Rania Samir and Legal Researcher Ashraf Ahmad helped in providing Paul with specific financial data and provisions of the law as required.

On the first day of his consultancy, Paul met with the MOI Senior Advisor Abdel Hamid Ibrahim and Mohamed Farid. On his third day, he met with them again as well as the members of the MOI Steering and Legal Committees, to whom he delivered a presentation he had prepared prior to arriving to Cairo on principles of regulation of a futures market, and an outline of the proposed regulations. He was asked to expand the scope of the regulations to also include options and agreed to do so; the framework is now for derivatives, not only for futures.

Paul held three meetings with EFS long-term legal advisors and short-term legal and financial advisors Dr. Baha Ali El Dean and Dr. Ahmed Saad to review and fine tune the contents of his report. Paul clarified some points of concern and explained the mechanism of Derivative Market activities and the role of the regulator.

Paul then drafted the regulations, reviewed and commented on by Dr. Bahaa and Dr. Ahmed Saad through several meetings with them and the long-term team. He kindly agreed to actively participate in unscheduled meeting with the CMA Chairman and a CMA-EFS workshop presenting to regulators and the industry the CMA plan of action prepared by EFS Financial Derivatives Operations Advisor John McPartland to mobilize the industry to introduce financial derivatives in Egypt. Paul contributed regulatory materials distributed at the May 26 training session for CMA staff on financial derivatives.

Paul earned credibility, trust, and the respect of EFS' counterpart. He met every request of EFS and counterparts and his professional contribution to the EFS is very substantial. Paul delivered the draft and reviewed it, section by section through a 52 slide PowerPoint

presentation to the Steering Committee on his last day, and obtained further feedback. Paul further revised the draft and delivered a final version on May 30. The regulations, drafted around core principles of prudential regulation (for market integrity) and business conduct (to protect investors) address the authority of the CMA, and its supervision of the exchange, the clearing house, intermediaries, and the market.

Members of the committee are requesting that EFS arrange another visit for Paul. In addition, Abdul Hamid Ibrahim asked for training and an observational study tour for the committee members and other key players.

The Arabic version of Paul's report will be reviewed by EFS long-term legal and financial senior advisors and then by EFS legal and financial short-term local consultants. It will be sent to EFS legislation Draftsman, Counselor Mohamed Dakrouy, Senior Legislative Advisor to the People's Assembly), for final drafting and submission for the MOI. A general timeframe for future activities was agreed upon from June to December 2007.

DCOP François Pépin attended a meeting with MOI Dr. Mahmoud Mohi-El Din on derivatives markets and small and medium cap exchange. As agreed with the Ministry of Investment, the legal framework drafted by Paul Architzel was expanded to cover all exchange-traded derivatives (both futures and options) rather than being limited to commodity futures.

An advisory team (Dr. Bahaa Ali El Dean, Dr. Ahmed Saad, François Pépin, Shamsnoor Abdul Aziz and Ahmed Hussien) started reviewing the draft legal framework and making comments to share with MOI Senior Financial Advisor Mr. Abdel Hamid Ibrahim. The derivatives reference books were distributed on committee members and related persons at MOI.

New Financial Instruments - EFS's three tasks (mortgage finance, new financial instruments and credit information bureau) met on April 4, at the request of GAFI, with representatives of McKinsey, Mr. Wael Ibrahim and Ms. Özge Nadia Gozum, who advise clients interested in providing a wide array of financial services in Egypt. The EFS task leaders, Egyptian advisors, and Senior Legal Advisor Shamsnoor Abdel Aziz addressed recent developments, proposed a reform agenda, and new infrastructures in the financial services sector: mortgage, bonds, securitization, leasing, factoring, credit information. A subsequent meeting is planned.

Financial Leasing and Factoring - Deputy Chief of Party François Pépin and Ahmed Hussein met on April 12, 2007 with GAFI Chairman, Deputy Chairman and MOI Senior Financial Advisor to discuss the technical assistance proposed by EFS to MOI and GAFI on leasing reform and activation of factoring as new financial instruments. The proposal includes: review legal framework on leasing, training to GAFI and members of leasing association, capacity building of leasing registry with GAFI including procurement of hardware; raise awareness of business (especially SMEs) on using factoring and leasing as alternative sources of finance and enhancing capacity of the leasing association. The proposal was accepted by GAFI and MOI.

Ahmed Hussein, Senior IT Advisor Ibrahim Sabri and Task 3 Financial Researcher Rania Samir conducted series of meetings on April 15 and 16 with GAFI Deputy Chairman Neveen El-Shafai and Heads of Leasing, IT and Economic Policies Monitoring Departments to assess the needs for leasing reform and implementation of factoring. The meetings provided a basis for the development of a detailed work plan for technical assistance to be provided to GAFI and an assessment of the IT requirements for upgrading GAFI's registry of leasing contracts. The plan was reviewed by and discussed with the MOI Senior Financial Advisor to agree on priorities before submission to GAFI.

A meeting was conducted at GAFI to discuss the possibility of establishing a modern Leasing Registry. The Senior IT Advisor reviewed the existing processes and filing system. The current automated system was also reviewed. GAFI currently has a Leasing Registration System to record leasing companies and leasing contracts. This system runs on a stand-alone legacy platform. The Leasing Registration System works in a stand-alone mode without any links to other GAFI databases and does not provide sufficient statistical reports that could be used for decision making purposes. GAFI's IT Department identified the problem of having the systems working independently with multiple databases, multiple platforms, and multiple locations. The IT Department is currently developing an integrated database for all GAFI systems, and introducing the systems to the database in phases as they are developed.

The EFS team proposed building a modern automated Leasing Registry at GAFI. The main objectives are to:

- 1) Facilitate the daily work of the Central Department for Leasing, thus providing better service to the investors and public
- 2) Provide up-to-date, accurate statistical information to enhance the decision making process.

The EFS team offered to provide detailed functional requirements for the modern Leasing Registry System, IT training for the Leasing Department staff, workstation, printers and network connectivity. GAFI IT staff will provide system design and development service taking into consideration integrating the modern Leasing Registry System with the new GAFI integrated database.

Financial Researcher Rania Samir completed research on obstacles for promoting leasing as alternative financing tool for businesses (especially for SMEs). The research findings were discussed in a meeting with GAFI to start implementation of the technical assistance plan. Rania Samir also completed a draft brochure on leasing to be published by GAFI to raise awareness of businesses (especially SMEs) of using leasing as alternative financing tool.

Ahmed Hussein and Rania Samir met with GAFI management to discuss arrangements for short-term advisor arriving in August to work on the legal framework on leasing, EFS/GAFI public awareness workshops on leasing and factoring, a list of obstacles and issues in development of leasing and a draft brochure on leasing to be published by GAFI to raise awareness of businesses (especially SMEs) of using leasing as an alternative financing tool.

Financial Derivatives – Financial Derivatives Operations Advisor John McPartland arrived on May 13 to work on training to the CMA in financial derivatives and development of a strategy for introduction of financial derivatives in the Egyptian market.

John McPartland, François, Marian and Ahmed met with the CMA Chairman on May 16 to review the work plan on derivatives.

John, François and Ahmed met on May 22 with MCDR Chairman Mr. Mohamed Abdel Salam and Deputy Chairman Dr. Tarek Abdel Barry to inform them with the SOW of John McPartland. EFS and MCDR discussed policy issues and requirements related to the establishment of a derivatives exchange, recent developments with CASE and its operating system, and MCDR's idea to establish a certification center. They reviewed needs and capabilities of MCDR to work as a clearing and settlement house for trades in derivatives.

Efforts were made to obtain CBE regulations governing banks trading in financial derivatives as well as to identify senior officials within the CBE who are involved in the issue of

derivatives. An updated CBE circular to the banks dated April 30, 2007 was obtained. A letter was also sent to Mr. Abdel Aziz, First Advisor to the Governor, in order to identify senior officials whose work might involve derivatives in order to provide input to EFS advisers.

On May 23, a meeting was held with the Central Bank of Egypt with the head of the reserve management unit and the head of domestic investment. Both officials had many years of experience in the treasury functions of commercial banks. They highlighted that there are no domestic derivatives instruments. There are speculators but the Egyptian market lacks hedgers and to create a market need to have two groups and to educate investors how to hedge, there are technical issues involved in marking to market. The Egyptian market lacks depth and volume, banks can take positions but within limits specified by CBE. They expressed an interest to identify a developing country and benefit from its experience in introducing derivatives and were interested to know more about the reform plan that EFS short-term advisor John Mc Partland was working on.

John and Marian developed and delivered a training presentation to the CMA on introduction to derivatives. The workshop was held on May 26 and attended by 33 persons (not including EFS) but including CMA Chairman, CMA Deputy Chairman, MCDR Chairman and MCDR Deputy Chairman. The training covered the following subjects:

- Types and uses of derivatives;
- Potential benefits to Egyptian market;
- Trading in derivatives;
- Clearing and settlement in derivatives;
- Risk-based regulation of derivatives market.

John developed proposed framework of regulatory and private-sector plans for introduction of derivatives in Egyptian capital market. The frameworks were presented to CMA Chairman in a meeting held on May 27 and to potential stakeholders of banks, brokers, associations and MCDR in a meeting on May 28, which 24 people attended (not including EFS). The CMA Chairman invited the participants to form a private-sector advisor group to the CMA on implementation of the plan for derivatives market.

John McPartland concluded his assignment by developing:

- A plan to raise industry awareness of derivatives;
- A plan for developing training material for examination and licensing intermediaries in derivatives business.

Integrating Financial Institutions Regulators - A “closed” workshop called “Aligning Financial Supervisory Architecture with Egypt Needs” was held in Cairo on the weekend of May 11 and 12, 2007. Sponsored by the World Bank Institute, EFS provided the workshop the services of panelist Jeff Carmichael, former Chairman of the Australian Prudential Regulation Authority, and François attended upon invitation. The workshop brought together the Minister of Investment and Chairmen and Deputies of MFA, CMA, GAFI, EISA and GSF, and international leading experts to explore supervisory architecture models to make their own determination for Egypt. Several considerations can shape financial supervision architecture. First, the central bank is ultimately responsible for systemic risk and stability of the financial system, as “lender of last resort”; it can be responsible for bank and non-bank financial institutions supervision, and monetary policy, or assume only the latter function. Second, there is “integration” of regulatory agencies, where one agency is responsible for all “prudential regulation” of all bank and non-bank financial institutions, being the safety and soundness of intermediaries and the market. There is “unification” of agencies when a single agency assumes the supervision of both the “prudential regulation” as well as the “conduct of business”, or consumer protection. Third, is whether the integrated regulator will

be in or outside the Central Bank. The pros and cons of the UK, Australian, South African, and Netherlands models and implementation issues were reviewed. The workshop concluded positively with a selected model to be implemented over the next few years. Twenty-five participants attended the workshop.

EFS COP Ray Struyk, and François Pépin met with MOI Senior Financial Services Advisor Abdel Hamid Ibrahim on examining the possibility of expanding the scope of financial regulation to 1) housing developers who finance home purchases and accept pre-payments, and 2) microfinance lenders who also hold deposits from donors and other contributors. It was agreed a memo to the Senior Advisor on the regulation of microfinance institutions, in the perspective of facilitating access to finance, should be prepared by EFS/USAID following which the Senior Advisor would brief the Minister of Investment. COP Ray Struyk communicated this to Joe Ryan at USAID.

Coordination with World Bank and US Treasury Advisors - François Pépin and Ahmed Hussein met with WB advisor JaeHoon Yoo and US Treasury attaché at the US Embassy, Alex Severens, in Cairo to coordinate technical support provided to the GOE. The World Bank is updating an assessment made in 2005 of the Egyptian Capital Market. The US Treasury attaché is providing policy level support to the Ministry of Finance.

Workshop Presentation - Ahmed Hussein gave two lectures to public investors in the capital market on “How to Read the Financial Statements” and “Investment in Bonds” during the Trend Conference on the Stock Exchange sponsored by the CMA May 3-6.

Participation in Conferences - Shamsnoor Abdul Aziz, Financial Researcher Rania Samir and Legal Researcher Ashraf Ahmed participated in Trend Conference. Shams and Rania participated in Euromoney Conference on mortgage co-sponsored by MFA and EFS on May 14.

Investment Funds - Ahmed Hussein reviewed and commented on draft regulations for investment funds and attended two meetings with CMA committee on reviewing those regulations.

Ahmed Hussein and Rania Samir drafted a memo to the CMA Chairman on main issues in the new draft of executive regulations on investment funds. Those issues were discussed with CMA Chairman and legal advisor in a meeting on June 21. All proposed changes were accepted by the CMA. Those changes were mainly to:

- Allow fund managers to sponsor and manage the fund;
- Eliminate undue duplication of requirements for a separate board of directors and articles of association for the investment company other than BOD and articles of association for the investment fund sponsored by the same investment company;
- Eliminate the requirement for semi-annual dividends by real-estate investment funds as it should be a policy of the fund manager rather than a regulatory requirement.

Ahmed Hussein and the CMA legal advisor finalized the proposed regulations and drafted a memo to the MOI explaining the purpose and main changes in the regulations. The CMA Board of Directors approved the proposed regulations and the CMA Chairman submitted the proposal to the MOI for approval and issuance.

Securitization - At a request from Mr. Sherif Oteifa, Senior Advisor to MOI on Mortgage, Ahmed Hussein, Shamsnoor Abdul Aziz and Rania Samir delivered a presentation on securitization (concept, types, benefits, processes, and concerned parties) to chairmen and deputy chairmen of three public enterprise housing companies who collectively have more

than LE 1.5 billion of installment sale receivables and are considering securitizing those portfolios by issuing a bond. The housing companies requested a copy of an article of association for a securitization company which was subsequently delivered to the MOI.

Task 3 Presentation to MFA - At a request from MFA Chairman, Task 3 Ahmed Hussein delivered a presentation on objectives, main tasks and results of Task 3's work on both the secondary mortgage market and new financial instruments. MFA Chairman and Deputy Chairman were interested in work planned for activation of the secondary bond market.

Mortgage-Backed Securities - Ashraf and Rania started a research on MBS to be presented to the CMA to assist in drafting CMA rules on MBS. A subsequent internal meeting between Task 3 and the COP discussed a comprehensive approach to development of the regulations that would permit all forms of mortgage backed securities even though Egypt will not be ready for some types for several years.

B. Activities Scheduled for Next Quarter

- Finalize legal and regulatory framework of derivatives market
- OST of commodity futures and derivatives markets in Malaysia and Singapore
- Finalize review and recommendations to enhance legal and regulatory framework of bond markets
- Review and make recommendations to enhance the legal framework of leasing

C. Challenges Encountered and Proposed Remedial Actions

Challenge: Early in June, CMA Chairman Dr. Hani Sarie El Din declined a renewal for another term in his position as a Chairman. MOI accordingly nominated Dr. Ahmed Saad as a new Chairman of CMA.

Action Taken: EFS focused efforts in June to finalize open files with Chairman Hani including training in derivatives and drafting new regulations on investment funds.

TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM

A. Activities Performed During Quarter

Key Accomplishments

FTC/FDIC Workshop - A meeting was held with the senior officials responsible for the supervision department at CBE on June 18 to discuss their needs for the coming program with FTC and FDIC. A summary of the meeting was sent to them, to home office, FDIC and FTC. CBE IT department was also informed. CBE officials requested to know more about the credit bureau as soon as possible as this would help them maximize the benefit of the program and request focus on specific areas from FTC & FDIC. An email was sent to the credit bureau on June 20 with respect to the suggestion to hold a meeting bringing CBE and I-Score to enable the former to know more about work procedures, internal controls of I-Score. A conference call between EFS, home office, FTC and FDIC was held on June 28. It was agreed to have the first day for the workshop before the arrival of FTC and FDIC to familiarize the participants with the developments of the credit bureau project in Egypt. The second day, September 3, will signal the contribution of FTC and FDIC. Rebecca Kuehn advised that it might be better if a compliance operational officer contributes to the workshop instead of an IT technical expert. Task 4 responded that this is acceptable as the IT department of the CBE is strong. It was agreed that the Task Leader will send an outline with the topics to be reviewed by FTC and FDIC.

Effective Continuity Planning – Task 4 obtained nominations from the CBE IT department on who will attend the Business Continuity Course in the New York in October 2007. The training team is currently preparing necessary documentation to send to USAID for participant and funding approval.

Request for Information - I-Score requested some press releases as well as a translation of the Code of Conduct which was sent to I-Score on April 5 as part of EFS technical assistance for inclusion on I-Score's website.

I-Score Training Event – A meeting was held with I-Score on the next training program with EFS's Lubna Salem, Marian Mishriki and Maha El Kelish from I-Score. Ms. El Kelish requested a workshop for the upcoming training topics including a presentation on how to read the credit report and some case studies. The next training event for I-Score was postponed after internal discussion between PA and Task 4 and agreement by I-Score.

Bankruptcy Information for I-Score - On May 8, EFS sent the Managing Director of I-Score the Hassouna and Abou Ali research report on collection of bankruptcy information and requested a meeting to discuss next steps and obtain their input.

Meeting with I-Score - Task 4 held a meeting with the I-Score Managing Director on May 21. He informed EFS that 25 banks already signed contracts of membership, Communication between the CBE and NITRA is still ongoing for permission to contract with telecommunication companies. Task 4 informed the Managing Director that Task 1 will conduct a survey for housing developers; and, to capitalize on time, effort and connections, EFS supports I-Score's inclusion of housing developers' databases of dwelling purchasers. The Managing Director's response was positive and agreed to have a meeting with D&B for this purpose.

The issue of MFIs was also raised and he asked EFS to attend a coming meeting at Alexandria Business Association at their premises on May 26. He also requested some statistics on ABA, which Task 4 sent to him after the meeting. He advised that contacting the insurance sector is not on I-Score's agenda in the short-term as they are very busy working with the banks to improve the quality of their data.

On public record legal information, he informed EFS of the discussion ongoing with Echo Egypt which has bankruptcy information. Task 4 informed Mr. Refaat that there is another company, El Nile Company, doing the same function. It was agreed that EFS would arrange and participate in a meeting bringing together I-Score and the mentioned company to discuss ways of cooperation.

Continuing work with Hassouna and Abou Ali – A draft contract between I-Score and El Nile Company as an information provider for bankruptcy was prepared by Task 4 and sent to Hassouna and Abou Ali. A meeting was held on June 25 with Hassouna and Abou Ali and attended by the EFS Senior IT Advisor to discuss main items that will form due diligence on the mentioned company and the legal issues to be presented to I-Score. On June 26, EFS team met with El Nile Company, to obtain more information and some documents including their electronic database system and backups, judgment documents from the court as the source of information, numbers of lawyers working at the company to know their ability to maintain information frequently from different courts, and the legal papers for the company (i.e. a copy of the commercial registry for El Nile Company for the contracting process), and a copy of the contracts for providing bankruptcies information signed between El Nile and banks.

Amendment for Membership Contract - On May 28, I-Score asked Task 4 to amend the membership contract to reflect a different inquiring mechanism that would enable Alexandria Businessmen Association (ABA) to inquire on behalf of their members, who represent corporations and businesses in Alexandria. Task 4 Leader discussed the mechanism with EFS Senior Legal Advisor Shamsnoor Abdel Aziz. I-Score intends to obtain CBE approval on the new mechanism and the agreement reflecting it. It was also agreed that EFS would obtain all the official formation papers related to establishment of ABA and its activities.

On June 3, the Task 4 Leader contacted ABA in Alexandria and requested their official formation papers in order to prepare a draft agreement between I-Score and ABA to enable inquiry of ABA on behalf of its members. Follow up was made by phone on June 4 and ABA sent its statutes. The Task 4 Leader prepared a draft agreement reflecting the business model that will be amended/reviewed. The EFS legal team made amendments to the agreement. Task 4 highlighted to EFS legal team that whereas the recommended legal opinion may represent an ideal legal frame, the legal solution may not be practical from a business perspective to I-Score and ABA. Task 4 will solicit other legal opinions. EFS will request more information from ABA.

An email was sent to the Managing Director of I-Score on June 19 informing him on the current status of our legal support for a contract to be signed between it and ABA (Alexandria Businessmen Association). I-Score replied with an email that EFS should support by providing simplified mechanisms. Task 4 will work closely with its short-term Legal Advisor Ahmed Salah to integrate business needs with legal considerations in light of CBE rules and regulations. In connection with this work, Task 4 formally requested official documents from ABA via a letter sent by email to them. Task 4 was informed that ABA board of directors is expected to change after new elections and thus, ABA will not be able to send the required documents in the near future.

Commercial Registry Authority Meeting – A meeting with the head of the Commercial Registry Authority, Dr. Moustafa Abou El Enien, was held at their premises with the attendance of EFS IT Advisor and ST Legal Advisor Hassouna and Abou Ali. EFS explained to the commercial registry about recent efforts to enable I-Score to capture bankruptcy information, and EFS' suggestion to I-Score to consider the commercial registry as a potential source. In response to our query about the recording of bankruptcy information on commercial registers, EFS was informed that by law, bankruptcy information should be sent by courts within 8 days after they become a public record and have to be noted on commercial registries. Task 4 expressed interest to review the suitability of other information that they have and inquired whether it is appropriate to start a due diligence process or just keep in touch with the commercial registry until they complete the development of their IT systems. Dr. Mustafa requested a formal letter to be discussed internally at the Ministry of Trade. Task 4 prepared a letter for I-Score's Managing Director who signed the letter and sent it. Task 4 will follow up with the Commercial Registry Office to start a due diligence exercise from both legal and IT perspectives.

Upon follow up with legal ST consultant Hussein Shaaban on preparation of the agreement protocol between the credit bureau and the Commercial Registry Authority to access their database, he advised that he prefer to wait until he receive the MOU already prepared by I-Score. Task 4 advised I-Score several times to provide Mr. Hussein with MOU last version and they promised to provide it as soon as they can.

MFIs - The Task 4 Leader contacted the Executive Director of ABA responsible for micro loans. He informed her that the Egyptian Microfinance network will meet this month to discuss developments with respect to the central source of information which is proposed to be established at the network.

Market Analysis Report - The Task 4 Leader is working on developing a market analysis report on the status of the Microfinance segment as potential members in I-Score. The report will cover EFS efforts in the last two years. Some updated statistics/information was requested from the USAID Microenterprise Project.

Obtaining Data for I-Score from Housing Developers -

Task 4 Presentation to MFA - A brief presentation was delivered to MFA on June 19 on Task 4. MFA recommended that Task 4 get in touch with the advisor to the Ministry of Housing to be able to complete the credit bureau questionnaire for housing developers. Also MFA mentioned that GSF could make use of the credit bureau.

D & B Questionnaire – On June 3, an internal meeting took place with EFS Senior IT advisor and Noha Sobhi of Task 1 to discuss D & B questionnaire and coordinate between Task 1 and Task 4 with respect to contacting the housing developers. It was agreed that Task 4 will join Task 1 in its meetings with private sector developers in order to complete the questionnaire sent by I-Score.

Parallel to Task 4 efforts to complete the questionnaire by interviewing private housing developers, Task 4 will also focus on interviewing four public sector housing developers since they fall under the umbrella of the Ministry of Investment. The COP and Task Leader visited the advisor to the Minister on June 12 to inform him of Task 4 intention's to interview public sector housing companies with the objective of including them in I-Score database. The Minister's advisor suggested to host a meeting with the four public sector housing developers at the Ministry during which EFS can inform them with the credit bureau project, in addition to securitization, and how home purchase can be financed through the mortgage finance. An agenda was prepared and sent to the Minister's advisor with a suggested date for the meeting.

Task 4 made some improvements upon its review of the questionnaire provided by I-Score and D& B. Task 4 categorized the questions to make it easier for the interviewer and interviewee to complete. An introductory section explaining the objective of the questionnaire was added as well as some questions related to the willingness of housing developers to be part of I-Score system.

Interview with RAMW Construction Company - A successful interview was conducted with the financial advisor and the accounting manager of RAMW Construction Company on June 18. Answers to the housing developers' questionnaire of I-Score were obtained. Task 4 sent a thank you letter to the company.

Interview with SODIC Company - Task 4 held a good interview at SODIC Company on June 27 in 6th October City. Representing SODIC were the Development Director, Financial Manager and the Customer Relations Manager. The answers to I-Score's housing developers' questionnaire were obtained. Since SODIC is in process of changing its own system it was agreed to support a meeting between them and I-Score as soon as possible so that SODIC takes into consideration the requirements of the credit bureau from the beginning.

Meeting with Housing Developers at MOI - On June 28, EFS held a meeting with the four public sector housing developers at the Ministry of Investment. Task 4 delivered a presentation to introduce them to the credit bureau developments in Egypt and its benefits and informed the housing developers about its desire to visit them individually to complete the questionnaire that would test their readiness to get into the system of the credit bureau.

Meeting with I-Score on Data Collection - A meeting was held with the Chief Information Officer of I-Score June 24. Task 4 was informed of present status of collecting information from the banks. D & B will continue to work closely with the banks to ensure that the banks change their data fields as required. According to I-Score, they expect to go live in July, which means they must ensure that the system is working.

Insurance Sector Research - Task 4 received a verbal request from Maha El Kelish that they would like EFS to start researching the insurance sector and the potential membership of some insurance companies, especially since talk with the microfinance institutions and the mobile operators has not moved forward. Task 4 discussed this request with the COP. Task 4 requested a meeting with the Managing Director of I-Score to ensure that he supports this request. At that meeting, the Managing Director said that work in this area was not a priority at this point.

I-Score's Communication Strategy - A communication strategy presentation was delivered to I-Score management on April 30 at 10:00 a.m. The presentation was done by ST consultant Dalia Wahba. The PA team incorporated all comments from the presentation discussion and resent the presentation for I-Score's review.

Media Mobilization Event - The Media Mobilization Event was held at Grand Hyatt on May 7. The purpose of the event was to mobilize media to write positively on the credit bureau and its effect on the consumer as well as the economy. Mr. Kafafi, I-Score Chairman, Mr. Ali Fayez, the Managing Director of Egyptian Banking Federation, and Mr. Refaat, Executive Director, answered all questions raised by attendees after the Credit Bureau's presentation. The PA team scanned the newspapers and followed articles written after the event.

Communication Specialist – The PA team is involved in ongoing on-the-job training for I-Score's Communication Specialist.

I-Score Stakeholders' Event – The PA team completed logistical preparations but was informed by the Credit Bureau that it will be postponed.

Launching Event for the New Premises – The PA team will meet with I-Score to kick-off the necessary preparations for the Credit Bureau launching event.

Presentation and Communication Skills Training - I-Score requested training on Presentation and Communication Skills from the PA Team that should begin in late July.

I-Score PA Campaign – The PA team attended a number of meetings with I-Score and Tarek Nour to work on the PA campaign strategy.

I-Score Crisis Management Committee – I-Score requested that PA team help in formation of crisis management committee and hold a workshop to train staff. The PA team was informed by I-Score that they need to mobilize the committee ASAP.

B. Activities Scheduled for Next Quarter

- FTC/FDIC training and Business Continuity Course follow up
- Separate visits to the Public and some private housing developers companies
- Legal contracts for I Score with Information providers and ABA
- Technical Assistance for I Score for the official launch

C. Challenges Encountered and Proposed Remedial Actions

Challenge: The credit bureau needs information from the CBE, MSAD and members of the non-banking sector

Proposed Action: EFS will maintain its excellent relationship with the CBE and initiate discussions with MSAD on the national number issue

Challenge: The continuation of the public registry operated at the Central Bank may jeopardize the success of I-Score with banks and its overall financial sustainability

Proposed Action: EFS will focus on the non-bank sector under the MOI, microfinance institutions and some housing developers

SECTION III: Project Management, Monitoring and Evaluation

Project Management

A. Administration

- COP Raymond Struyk resigned his position as Chief of Party effective end of August 2007.
- François Jude-Pépin was named to replace Raymond Struyk as Chief of Party.
- Ahmed Hussein was promoted to Deputy Chief of Party.
- Tarek Sorour joined the mortgage team April, 10 2007, as the Senior Mortgage Advisor.

B. MM&E

All activities and actions for the Year 2007 Work Plan have been entered into MM&E and updated.

C. Performance Management Plan (PMP)

Under the supervision of Karen Roland, Ireny Roman has been maintaining the performance management plan and updating the numbers and statistics per each indicator's requirement.

D. 2008 Work Plan

The draft 2008 Work Plan and Budget schedule has been completed and reviewed by USAID. The draft matrix with an estimate budget will be submitted to USAID on July 29, 2007.

ANNEX 1: SHORT-TERM INTERNATIONAL ADVISORS FIELDED THIS QUARTER

Name	Type of Specialist	Primary Area of Assistance	Target Dates		LOE Estimated
			Start	End	
Administration					
Sameera Qadoura	Training Specialist	Task 5.1	4-28	5-1	3 billable days
Ayman Nimer	IT Specialist for Training Software	Task 5.1	4-16	5-1	9 billable days
Carla Martin	English Editor	Task 5.4.03	2-1	12-31	55 billable days
Azza Seif	Training Specialist	Task 5.1	1-15	9-10	65 billable days
TASK 1					
Nahla Hassan	Senior Outreach Consultant	Task 1.10.3	2-1	3-31	40 billable days
Dina Selim	Junior Communication Specialist	Task 1.10.3	2-1	3-31	30 billable days
Laila Iskandar	Senior Outreach Consultant	Task 1.10.3	2-1	3-31	25 billable days
Ahmed Amin Ali	IT Specialist	Task 1.12.4	2-1	10-31	80 billable days
Mitch Medigovich	Primary Mortgage Finance Advisor	Task 1.10.1	5-10	6-15	27 billable days
Dalia Wahba	Senior Communication Advisor	Task 1.15.5	4-29	6-30	12 billable days
Dina Shafik	Communication Consultant	Task 1.15.5	4-29	6-30	12 billable days
Bahaa Abdel Mawgood	Electrical Engineering Advisor	Task 1.12.4	5-2	10-31	30 billable days
Dr. Dakroury	Senior Legislative Counsel	Task 1.12.2	6-17	12-31	30 billable days
TASK 2					
Mahmoud El Nokrashy	Senior Cadastral Systems Trainer	Task 2.12.02	1-17	5-31	13 billable days
Mahmoud El Nokrashy	Senior Cadastral Surveying Advisor	Task 2.12.03	6-10	2-28-08	130 billable days
Justin Holl	Senior Land Attorney	Task 2.10.01 Task 2.12.03	5-20	6-14	48 billable days
Sergiy Lizenko	Senior Systems Analyst	Task 2.11.2	5-14	5-22	18 billable days
Mohamed Maghraby	Senior Cadastral Systems Trainer	Task 2.12.02	1-17	5-31	13 billable days
Sayed Hafez	Construction Quality Control Supervisor	Task 2.12.1	4-10	10-31	40 billable days
Zeinab Barakat	Registry Systems Trainer	Task 2.12.2	4-29	5-31	3 billable days
George Al Gamal	Registry Systems Trainer	Task 2.12.2	4-29	5-31	3 billable days
Maher	Registry Systems	Task 2.12.2	4-29	5-31	2 billable days

Gerges	Trainer				
Nabila Abul Saad	Registry Systems Trainer	Task 2.12.2	4-29	5-31	1 billable days
Laila Tawfik	Registry Systems Trainer	Task 2.12.2	4-29	5-31	3 billable days
Laila Ezzat	Registry Systems Trainer	Task 2.12.2	4-29	5-31	1 billable days
Abdel Alim	Registry Systems Trainer	Task 2.12.2	4-29	5-31	2 billable days
Atef Elewa	Registry Systems Trainer	Task 2.12.2	4-29	5-31	1 billable days
Fawzi Hussein	Registry Systems Trainer	Task 2.12.2	4-29	5-31	2 billable days
TASK 3					
Mohamed El Dakroury	Senior Legislative Counsel	Task 3.11.08	4-2	5-31	10 billable days
Paul Architzel	Regulatory Advisor	Task 3.11.08	5-12	5-31	18 billable days
William Stahl	Fixed Income Instruments Regulatory Advisor	Task 3.11.02	5-11	6-1	20 billable days
John McPartland	Financial Derivatives Advisor	Task 3.11.07	5-2	5-25	21 billable days
Bahaa Ali El Dean	Legal Consultant	Task 3.11.8	2-4	4-30	30 billable days
TASK 4					
Ahmed Salah	Legal Advisor	Task 4.11.01	7-5	9-27	12 billable days

ANNEX 2: TRAINING EVENTS/ ACTIVITIES DELIVERED SECOND QUARTER

<u>Title</u>	<u>Date</u>	<u>Males</u>	<u>Females</u>	<u>Total</u>
TASK 1				
Alternative Mortgage Instruments Seminar	4/23/07	60	19	79
Egyptian Primary Mortgage Market Course	4/22/07 – 4/26/07	15	3	18
Management Skills	4/25/07 – 4/28/07	12	8	20
MFA Workshops	April 3-4, 11-12, 16-17, 23-24	49	21	70
Customer Service Skills	5/28/07 – 5/29/07	12	8	20
MFA Chairman OST	5/19/07 – 5/31/07	2	0	2
Wharton Course	6/1/07 – 6/18/07	3	4	7
TASK 2				
REPD Overview of Deeds and Title Registration Course	4/21/07 – 5/17/07	9	11	20
REPD Improved Deeds Training Course	4/21/07 – 5/17/07	9	11	20
REPD Registration of Mortgage Finance Agreements Course	4/21/07 – 5/17/07	9	11	20
ESA Cadastral Operations Course (Module A)	5/6/07 – 5/24/ 07	6	4	10
ESA Cadastral Operations Course (Module B)	5/6/07 – 5/24/ 07	0	10	10
ESA Cadastral Operations Course (Module C)	5/6/07 – 5/24/ 07	0	10	10
Basic IT Skills Training Course for REPD	6/17/07 – 6/28/07	19	4	23
TASK 3				
Seminar/workshop in financial derivatives- ECMA, EIMA and their members	5/28/07	6	18	24
Seminar/workshop in financial derivatives- the regulators (CMA and CBE)	5/26/07	10	23	33
Corporate bonds, new regulations	5/11/07 – 5/12/07			
TASK 4				
None				
Total		221	165	386

ANNEX 3: LIST OF DIRECT PROCUREMENT DURING THIS QUARTER

Contracts made during Quarter 2:

Local:

- 1) MFA Network Upgrade = L.E. 17,279.25 (Q2)
- 2) Call center amendment 3 seats for 3 months L.E. 75,000.00 (Q2)
- 3) Call center contract extension 2 seats for 1 year = L.E. 132,000.00 (Q2)

USA:

- 1) MFA – Hardware (Servers, software, network equipment, SAN and accessories) = \$114,135.00 (Q2)

Payments made during Quarter 2:

- 1) Global Geobits- Index Mapping – Task 2 = LE 874,125.00
- 2) MFA documentary film – Task 1 = LE 141,000.00

ANNEX 4: EGYPT FINANCIAL SERVICES PROJECT LONG- AND SHORT-TERM STAFF

Project Management, Administration and Support

Raymond Struyk	Chief of Party
François-Jude Pépin	Deputy Chief of Party
Hanaa El Bashari	Operations Manager
Nadia Moustafa	Senior Executive Assistant and Office Manager
Karen Roland	Manager, IT, Communications, Training & Performance Monitoring
Amir F. Francis	IT Manager
Gamal Kamel	Financial Manager
Mahira El Kassas	Accountant
Noha El Haddad	Translation and Publications Specialist
Sahar El Helaly	Translator/Interpreter
Nourhan Al-Ayat	Operations Assistant
Khaloud Taha	Secretary/Receptionist

Task Management

Task 1: Mortgage Team

Manal Shalaby	Task 1 Team Leader/Senior Financial Advisor
Tarek Sorour	Senior Mortgage Lending Advisor
Lamia El Zufazy	Regulatory and Audit Advisor
Aser Obeid	Credit Analyst and Mortgage Loan Advisor
Amr Omran	Loan Analyst
May Sharara	Mortgage Lending Specialist
Noha Sobhi	Association Development Specialist
Ireny Roman	Research Analyst
Mirale El Azhary	Administrative Assistant

Task 2: Registration Team

Noel Taylor	Task 2 Team Leader
Hassem Hemeda	Real Property Registry IT Specialist
Fatma Abdel Kader	Cadastral Systems IT Specialist
Mosaad Ibrahim	Senior Cadastral Surveying & Mapping Specialist
Ali Abd Salam	Property Registration Legal Advisor
Ahmed Diab	Translator/Interpreter
Mahmoud Moussa	Administrative Assistant

Task 3: Financial Instruments Team

Ahmed Hussein El Sayed	Task 3 Team Leader/Senior Financial Advisor
François-Jude Pépin	Senior Lawyer, Corporate Finance
Shamsnoor Abdul Aziz	Senior Legal Advisor
Rania Moety	Financial Analyst
Ashraf Abdu-Allah	Legal Research Assistant
Hanaa Hanafy	Administrative Assistant

Task 4: Credit Bureau Team

Marian S. Mishriki	Task 4 Team Leader/ Financial/Credit Specialist
Karim Hamdy	Credit Information Development Advisor
Rehab Seif	Administrative Assistant

Cross-Cutting Teams

Information Technology

Ibrahim Sabri
Hisham El Masry
Amani Zeitoun

Senior IT Advisor
IT Operations and Procurement Specialist
IT System Specialist

Training

Lubna Salem
Dalia Sabet
Ghada Sorial

Senior Training Specialist
Senior Training Advisor
Training Administrative Assistant

Public Awareness

Dina Osman
Nagwan Zohary
Nancy Amer

PA Manager
Communications Officer
Public Awareness Specialist