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# QUARTERLY PROGRESS REPORT

## JANUARY – MARCH 2007

EGYPT FINANCIAL SERVICES PROJECT

**March 31, 2007**

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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
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 Cooperation
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

## **Introduction**

This Quarterly Progress Report (QPR) summarizes the technical assistance and applicable procurements provided by the Egypt Financial Services (EFS) Project during Quarter 1 of Year 2 (January 1 – March 31, 2007).

The EFS project divides its activities into four main tasks, each with key institutional partners and specific activities designed to achieve objectives defined in the EFS Year 2 Work Plan.

Task 1: Establish a supporting framework for the real estate finance industry

Task 2: Improve operation of urban real property registration system

Task 3: Develop framework and procedures for secured lending and new financial instruments

Task 4: Establish a broad-based credit information system

The Executive Summary provides an overview of project accomplishments to date, a list of technical reports prepared during the quarter, as well as a list of other significant materials provided to USAID and/or counterparts. Following the Executive Summary, each task's progress and achievements are presented separately. A final section addresses EFS project management and its Monitoring and Evaluation component. Annex materials provide reference for:

- EFS training/public awareness events delivered during the quarter
- Direct procurements
- Short-term advisors fielded during the quarter
- EFS long-term staff

## **SECTION I: Executive Summary**

The EFS Final Work Plan, Training Plan, Budget and Performance Management Plan were submitted and approved by USAID this quarter. The project got off to a good start on the Year 3 plan, particularly with some notable successfully implemented training and public awareness events, and several new financial instruments developed and introduced this quarter.

The project also welcomed the new Task 2 Leader Noel Taylor, who arrived on January 24 to replace Dougal Menelaws. His previous short-term experience on EFS allowed for an easy transition this quarter, with open communication with the counterparts and a full review of the workplan and budget for the coming year.

**Highlights of the Quarter.** *Task 1* - The Loan Origination and Underwriting course that was developed by the ShoreBank team and the EFS technical and training teams, was delivered from February 4 – 7, 2007. The course took place at the Egyptian Banking Institute (EBI) and was attended by 18 participants from the Mortgage Finance Authority, the Egyptian Housing Finance Company, the Taamir Mortgage Company, and several prominent banks in Egypt. The course was delivered by two ShoreBank Trainers, and one local trainer who had attended the previous week of combined TOT and dry run sessions. The evaluation forms completed by the participants indicated a positive response to the quality of the course.

The second course, Loan Servicing and Risk Management, was delivered from February 11 – 14, 2007. The course took place at EBI premises and was attended by 15 participants who also provided very positive feedback. The participants were from the same institutions and banks as the first course and some of the participants attended both courses. The course was delivered by the two ShoreBank trainers and two local trainers who had also attended the week of combined TOT and dry run sessions.

The courses succeeded in pushing the attendees to differentiate between mortgage and consumer lending. Participants of both courses showed their interest in the course materials delivered and the hands-on activities; many of them advised that they were not fully aware of the entire process and the courses inspired them of what has to be made in mortgage lending, especially in the risk management area. Many proved interested to understand management concerns or why loan files could be rejected. Some participants indicated that they would start implementing the model forms and reports in their institutions and will also brief their colleagues on the experience gained from the course.

*Task 2* – The Assistant to the Minister of Justice, Counselor Mohamed Hosni, officially opened the Training Development Centre (TDC), established with the assistance of EFS, within the MOJ Real Estate Publicity Department (REPD) on February 4, 2007. The opening included speeches by representatives from USAID, EFS and the REPD.

The TDC provides the REPD with an ultra modern training facility consisting of a lecture room seating up to 50 people, a 24 workstation IT laboratory, and meeting rooms. It will be used in delivering training to REPD on a wide range of property registration related topics spanning background and concepts of property registration through to public awareness, and the application of reengineered business processes via new IT systems, which will also be developed with EFS support.

*Task 3* – Task 3 developed and introduced four new instruments to the Egypt's financial system. EFS succeeded in engaging both the government and private sector in the legal structure reform to launch four new instruments serving the short- and long-term financing

needs of businesses and the needs of investors for diversified investment opportunities. They successfully introduced factoring of short term receivables, repurchase agreements of bonds, margin trading in securities, and short selling of securities.

EFS reviewed, revised, drafted, presented and finalized executive regulations to the Investment Guarantees and Incentives Law in relation to factoring, and rules of the administrative agency on factoring (GAFI). The first factoring company in Egypt (Egypt Factors) was immediately incorporated and registered following issuance of the regulations and rules. They also drafted the regulatory agency rules (CMA) on repurchase agreements in bonds and the executive regulations to the Capital Market Law in relation to margin trading and short selling to provide a level playing field to brokers and banks dealing in capital market.

*Task 4* - The Credit Bureau implemented a training program to banks on March 14, 15, and 27 at the Nile Hilton as an 'Introduction to the Credit Bureau'. This training was directed at 48 banks, approximately 16 banks represented on each day, and introduced the Credit Bureau and reviewed requirements that should be included in the Credit Report. The first two events were attended by 80 to 85 participants for each day and the third had around 40 participants. The training team facilitated the logistics and provided technical training assistance to ensure the efficiency and effectiveness of the presentations and sessions. The PA team reviewed the speakers' presentations and trained the MC's on presenting the speakers. Two additional training sessions 'Banking Internal Issues' and 'Technical Issues Regarding the Credit Bureau' are due to take place second quarter.

**ASSESSMENTS AND ANALYTICAL STUDIES PREPARED THIS QUARTER**

<b>Title</b>	<b>Technical Report Number</b>	<b>Task</b>	<b>KRA</b>
Required Legal Measures to Modify and Implement a Parcel-Based Deed System	71	2	2.10.1
Review of MFA's Organizational Structure, Staffing and Operations	72	1	1.1.3
REFERENCE DELIVERABLE: Introduction to Financial Derivatives: A CMD Project Report 2004	informal	3	3.11.7
Egypt Deed Registration System: Mission Report of the Land Formalization Specialist (Cadastre)	73	2	2.12.3
EFS Counterpart Business Association Comprehensive Report: Progress Status and Future Plan	74	1	1.14.1
Alternatives to the Fixed Rate Mortgage Instruments for Egypt	75	1	1.11.1
Commodity Futures Exchange	76	3	3.11.8
ShoreBank Courses Modules A and B	77	1	1.10.1
18th IOSCO AMERC Conference – Sharm El Sheikh	78	1	informal
18th IOSCO AMERC Conference – Sharm El Sheikh (MBS)	79	1	informal
A Future Business Model for Cadastral Surveying and Mapping to Support Property Registration	80	2	2.6.1
Business Process Reengineering - Parcel Based Personal Deed System	81	2	2.11.1

## **SECTION II: Progress Report by Task**

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

#### **Overview**

1. Establishment of the Mortgage Financing Authority (MFA)
  - a. MFA is operational as a regulator
  - b. Accounting and IT systems established
  - c. Prudential regulations (based on international standards) for (MFCs) have been established
  - d. Examination of the two MFCs (EHFC and Al Taamir) conducted
  - e. MFA staff trained
    - i. Local Primary Mortgage Course—in Arabic for MFA staff
    - ii. Participation in recent ShoreBank Course on loan origination and underwriting
    - iii. Chairman and Vice Chairman attended Wharton Real Estate Course
    - iv. English training for selected staff
2. Two MFCs established—both small but growing rapidly
  - a. EFS has advised on internal operations and accounting systems
  - b. Primary IT systems developed
  - c. Needs Assessment Analysis, Credit Policy and Credit manuals have been developed
  - d. Some staff training completed
  - e. First regulatory and operational exam by MFA completed for EHFC
  - f. Advisory work for secondary market instruments begun with Taamir Mortgage Co.
3. The Primary Mortgage Course - for multiple market participants presented four times in 2005 and 2006 Trainers for course are now delivering directly
4. In-Depth training course for Real Estate Appraisers - delivered with support of International Appraisers Institute
5. Foreclosure Workshop for Judges - presented in May 2006
6. Mortgage Finance Regulator and 2 MFCs up and running
  - a. Ongoing need to improve their internal operational and accounting procedure
7. 4 Training Programs created and delivered
  - a. Need to plan future delivery systems better
8. Public Awareness program begun
  - a. A strong start but there is now a need to refocus direction and broaden the targeted audience
  - b. Need to assist financial institutions in the development of their own internal PA campaigns

#### ***Key Accomplishments***

##### **A. Activities Performed During Quarter**

**Policy Issues – Housing Subsidy Programs** - Over the March 29-April 5 period, the COP met several times with the TAPR II consultants, Sally Merrill and Achim Duebel, and the World Bank team, Marja-Hoek-Smit and Sameh Wahba, to discuss policy options for strengthening the GOE housing subsidy programs. He also participated on the April 4 in the corresponding Steering Committee meeting chaired by Dr. Sherif Arafat, Advisor to the Minister of Investment. Earlier he submitted comments on two prior studies.

## **MFA**

Regulations of EMRC - ST Regulatory Advisor James Bothwell submitted the first draft of the Regulations for EMRC. The regulations are comprehensive and covering many critical areas at EMRC.

Arabic Translation of the Supervisory Regulatory Manual - A glossary of technical terms was developed by Task 1 Financial Analyst on the Supervisory Regulatory Manual and sent to the MFA for their review.

Mortgage Product Instruments / Islamic Compliant Mortgage Instruments – The Task 1 Loan Analyst and Mortgage Lending Specialist prepared a concept paper on six different Islamic mortgage products, as phase two product activity of the referenced comprehensive paper. A dry run was conducted for the EFS COP's presentation on mortgage product instruments and Task 1 Financial Analyst's on Islamic compliant instruments in preparation for the workshop planned for lenders during the last week of April. This is planned to be a joint workshop to be held with EBI and MFA.

Mortgage Brokers Seminar – The Mortgage Brokers event was conducted as scheduled on January 9. About 190 brokers attended as well as 5 members of Task 1 and around 25 officers from the MFA. A presentation on the importance of the broker's role and duties in the Egyptian Mortgage Market was delivered by Chairman Saleh, followed by a presentation by the COP showing the broker's role in more advanced mortgage markets. The event was concluded with a Q & A from brokers to the Chairman, his deputy and Manager of the GSF.

The major feedback from the event was:

- There are several conflicts between the brokers and the MFCs, Chairman requested the brokers to forward these cases to the MFA for investigation.
- The brokers showed interest in merging their various associations under one.
- There are misconceptions on mortgage finance at local governorates.
- Some of the brokers were complaining from the high interest, difficulty of registration and recent legal constrains on taking out official papers from the publicity offices.

Chairman Osama requested the attendees to forward their complaints to the MFA for investigation.

Housing Microfinance – In mid-January, the Mortgage Lending Specialist prepared and delivered a paper on "Housing Microfinance – A Product for NDB to Micro-enterprise Finance", which provides an overview on housing finance with an emphasis on the contract saving scheme. The Mortgage Lending Specialist also prepared and delivered a paper on the "Steps for Product Development to Micro-enterprise Finance", as a guideline on steps required by NBD to introduce a housing microfinance instrument.

Data Gathering Reports - Task 1 Regulatory and Audit Advisor and Mortgage Lending Specialist developed a form for capturing commercial banks data through CBE. The EFS COP presented the final document to the MFA Chairman and Deputy. This document should be used in the capacity of standardizing PMLs reporting their mortgage activities to the regulator. This effort will be executed through the MFA/CBE standardization committee.

Mortgage Brokers Training and Examination - ST Primary Mortgage Finance Advisor gave a presentation to MFA's Chairman and Deputy covering his recommendations for the licensing procedures, educational requirements (course material and workshops), on-site examinations and future considerations. The Chairman relayed a positive feedback on the recommendations especially that they covered most of what MFA was considering. MFA invited the Instructors of Cairo University training mortgage brokers to attend the

presentation. A number of internal revisions were made to the Advisor's input before finalizing the presentation.

ST Primary Mortgage Finance Advisor submitted his draft report covering Mortgage Finance Training and Capacity Building. The report incorporates a number of recommendations for future consideration.

Upon a request made by the MFA chairman, the Task 1 Leader presented the recommendations provided by the ST Primary Mortgage Finance Advisor to MFA's Board of Directors in Arabic, in order to initiate the necessary steps for the implementation process. The plan was positively received by the board members. The Chairman requested providing another presentation to the regulatory team in order to initiate implementation.

A presentation by Siemens was given to MFA to present their online exam module. The presentation was attended by MFA Deputy Chairman, the Chairman's advisor and Licensing Manager and Regulatory Team. The feedback from this presentation was positive.

US Mortgage Market Crisis - Based upon a request made by the MFA Chairman, the COP developed an article to be posted on the MFA portal about the U.S. sub-prime mortgage crisis. The paper was translated into Arabic; the translation was reviewed by Task 1 Financial Analyst, the Research Assistant and Task 1 Leader. The paper was delivered to the MFA in both English and Arabic languages (informal deliverable). The MFA Chairman provided positive feedback on the paper.

Task 1 Financial Analyst has developed a paper and a PowerPoint presentation on the same topic, and gave an internal presentation to Task 1 team members on that topic in the capacity of knowledge sharing within the team. Highlights were made on lessons learned from the regulator perspective. The objective is to give a presentation on the topic to the MFA.

Global Real Estate - Task 1 Mortgage Lending Specialist, with assistance from Task 1 Research Assistant, developed a draft speech for the MFA Chairman in preparation for the Global Real Estate Conference in Dubai. Task 1 Leader reviewed the paper and delivered it to the MFA (informal deliverable). The MFA Chairman will give the speech on behalf of the Minister. The Chairman provided positive feedback on the speech.

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 was submitted to MFA Chairman. The COP will be developing a presentation to the MFA covering the findings of this research (informal deliverable).

18th IOSCO - AMERC Conference, Sharm El Sheikh - MFA Chairman was invited to attend a conference during February 20-22 on "Strategies for Strengthening Regulatory Apparatus in Emerging Markets of AMERC". The Regulatory and Audit Advisor and Mortgage Lending Specialist developed talking points for the Chairman of MFA. Issues covered were the real estate investment trusts and mortgage backed securities. (Informal Deliverable)

Presidential Decree - The minister of justice has issued presidential decree number 5424/2006 regarding the fees of property registration and publicity. Task 1 Loan Analyst sent copies of this law and the MFA information tool kit to the 3 MFCs and 5 banks having Real Estate Finance products.

Amlak - Amlak is the fourth mortgage finance company established in the Egyptian market. Task 1 Senior Financial Advisor attended the opening ceremony for the company.

**Training:**

Banks Capacity Building – Several MFA bank workshops were conducted this quarter and were attended by representatives from MFA, NBE and Amlak. Instructors included two MFA advisors and EFS Senior Legal Advisor.

The ST Primary Mortgage Finance Advisor developed recommendations for conducting the diagnostic analysis when interviewing banks. This document targeted three tiers at different levels in the diagnostic analysis process. The final objective is to increase the level of commercial banks participation in the origination of mortgage loans.

Capacity Building Programs for MFA - As part of the capacity building effort for the MFA staff, two MFA employees were nominated to attend the Job Analysis and Writing Job Descriptions course offered at the Egyptian Banking Institute. Participants attended the course from January 22-23. The Task 1 and training teams initiated the activation of programs on communication and management skill to be provided by WestGate.

ShoreBank Course Delivery - The Loan Origination and Underwriting course, that was developed by the ShoreBank team and the EFS technical and training teams, was delivered from February 4 – 7, 2007. The course took place at the Egyptian Banking Institute (EBI) and was attended by 18 participants from the Mortgage Finance Authority, the Egyptian Housing Finance Company, the Taamir Mortgage company, and several prominent banks in Egypt. The course was delivered by two ShoreBank Trainers, and one local trainer (Mr. Nagy Fahmy) who had attended the previous week of combined TOT and dry run sessions. The participants sat for an exam at the end of the course. Evaluation forms completed by the participants indicate a positive response to the quality of the course.

The second course, Loan Servicing and Risk Management, was delivered from February 11 – 14, 2007. The course took place at EBI premises and was attended by 15 participants. The participants were from the same institutions and Banks as the first course. Some of the participants attended both courses. The course was delivered by the two ShoreBank trainers and two local trainers, Ms. Hala Bassiouni, and Mr. Hany Zaki, who had also attended the week of combined TOT and dry run sessions. The participants sat for an exam at the end of the course. The evaluation forms for this course indicate a continuing positive response from the participants.

During the course, further notes were recorded to be included in the course manual. As a result, the trainer's manual was enhanced to ensure a smooth transfer of the course to the hands of the local trainers.

The courses succeeded in pushing the attendees to differentiate between mortgage and consumer lending. Participants of both courses showed their interest in the course materials delivered and the hands-on activities; many of them advised that they were not fully aware of the entire process and the courses inspired them of what has to be made in mortgage lending, especially in the risk management area. Many proved interested to understand management concerns or why loan files could be rejected. Some participants indicated that they would start implementing the model forms and reports in their institutions and will also brief their colleagues on the experience gained from the course.

Some of the participants expressed the high need to learn more about:

- Loan provisioning imposed by the regulator
- Legal issues such as the tripartite agreement, registration
- Basics of the appraisal report
- Current market practices
- Secondary market
- Brokers role and effect on the lending process

- Credit Bureau role
- Interest rate pricing

Arabic terms equivalent were introduced.

*Mortgage Finance Training and Lenders Capacity Building – ShoreBank Course Refinement*- A second revision was made by the Task 1 Mortgage Lending Specialist and Financial Analyst on ShoreBank modules.

The technical team and training team met with the training manager at the EBI on March 21, 2007. The purpose of the meeting was to re-visit the annual training plan for the EFS lending courses that are held in cooperation with the EBI. New dates were suggested till the end of 2007, where the lending courses will be offered two more times to Egyptian banks and mortgage finance companies. Other points that were discussed included preparations for an “Alternative Instruments” workshop to be held in cooperation with the EBI in April 2007, and the “Risk Management” workshop to be held in October 2007.

The technical and training team had a further meeting with the local course trainers, on March 25, 2007. The trainers were presented with the new training plan and requested to confirm their availability. The courses’ modules were also divided among the trainers, in order for them to be able to adequately prepare for their deliveries.

*MBA Course Material* - The Arabic version of the 12 modules has been revised by the translation department. The course material and content is currently being reviewed by the technical team and is currently being checked for technical terms translation. The first offering of this course this year, will be held in April 2007, with the National Bank of Egypt. The course will be held at their premises, and will be delivered to 20 participants from the NBE senior staff.

*Regulators OST*- Task 1 Regulatory and Audit Advisor accompanied the MFA regulatory team to Washington OST program. The OST was very informative and was successfully concluded by a meeting with HO welcoming MFA delegates. Task 1 Regulatory and Audit Advisor compiled some useful material to be shared with Task 1 team members and plans to discuss findings of the OST with MFA regulatory team. The participants returned to work on March 27, 2007. They are scheduled for the mandatory follow-on/evaluation meeting at USAID on April 19, 2007 at 10:00 a.m.

*Capacity Building Programs for MFA* - MFA Chairman requested holding the communication and management skills course for MFA management in Ain Soukhna during early April. The Chairman request was approved and EFS training team are still trying to contact WestGate Consultants to finalize contract and arrangements. The program targeting junior staff should be held at MFA premises.

*OST for Chairman and Deputy Chairman* - The training team obtained USAID approval for the MFA Chairman and Deputy Chairman to attend an OST in the United States from May 16 – June 1, 2007. This OST should serve as an orientation to the Chairman and Deputy Chairman on functions of a mortgage finance regulator. The tour will provide the view on challenges and successful international models of Regulatory Authorities, and performance of primary and secondary markets. Training team just received the nomination letter from the Minister of Investment to be able to prepare the J1 waivers for the two participants.

*Wharton* - The “International Housing Finance program” will take place from June 2 – 18, 2007 at the Wharton School of Business in Pennsylvania was initially planned to be attended by four advisors from the MFA, one participant from the GSF and two from the Ministry of Investment. An escort has been assigned to accompany the group. USAID approval has

been obtained for all 7 participants. Travel arrangements for the participants are currently being organized.

English Courses - The MFA participants nominated to attend the English language training sat the placement exams at the LMDC on February 14, 2007. Based on the results of this exam, the participants will be placed in the appropriate level and will commence the training accordingly. Program dates are pending the provider to sign the Purchase Order.

Foreclosure Workshop - The Real Estate Mortgage training held for the economic panel judges was conducted on March 10 and 13. Both the MFA chairman and the COP gave their presentations.

Micro Housing Finance Workshop – The EFS COP gave an in-house presentation for Task 1 team as a dry run and solicited comments. A presentation is planned to take place for MFI in April.

Risk Management Workshop: The EFS COP and Regulatory and Audit Advisor updated the spreadsheet on computing credit risk for lenders. Task 1 agreed with the Training team on the requirements for conducting the workshop at EBI in October. The Task 1 Senior Financial Advisor will assist in communications with EBI in this regard.

**PA:**

Information Toolkit - 2000 Info kit copies were delivered to MFA premises on January 8th, 2007. The remaining copies were delivered to the EFS premises. The kit was distributed at the Mortgage Brokers Event.

MFA Road Show – Towards the end of the quarter, the team met with Hala Bassiouni – Managing Director of Egyptian Housing Finance Company – and Eng. Magd El Din Ibrahim – Chairman and Managing Director of Taamir Mortgage Finance Company, and was able to get their insights on their perceptions of mortgage finance in Egypt, the obstacles they are facing, and the role they expect MFA to play.

In preparation for the Road Show events, the MFA Deputy Chairman managed to set time for EFS with the New Urban Communities (NUCs) during their monthly meeting. The kick-off meeting took place at the premises of the MOH on March 29, 2007 and was attended by Task 1 Leader, Senior Legal Advisor, Task 1 Financial Analyst, and EFS PA team.

- The MFA Deputy Chairman gave a presentation on the concept of mortgage finance, role and mission of MFA, and accomplishments in the market to date. He finally highlighted the importance of mortgage to NUCs and how MFA could communicate with them. The presentation provided by the MFA Deputy Chairman was adjusted by Task1 Leader, who also developed the agenda and handouts for the meeting.
- EFS Senior Legal Advisor provided a presentation on the protocol signed between NUCs and the MFA. Upon the request of Task1 Leader, the Research Assistant developed the presentation which was then reviewed by Task1 Leader and EFS Senior Legal Advisor.

This meeting was positively concluded by means of going forward and the acceptance of the idea that a team from MFA would directly contact NUCs. It also provided insight to the EFS PA team on their target group. Following the meeting, MFA Deputy Chairman requested preparing a plan for means of contacting these authorities.

Communication Committee – The first presentation was held on March 22 at MFA. It was attended by Hala Bassiouni, EHFC, Marianne Maggar, Head of Communication, Tamweel, Elias Samia, Head of International Business, Amlak, Ashraf El Kady, Vice Chairman, EMRC,

Dina Osman, EFS Senior PA & Communications Advisor, Dalia Wahba, EFS short-term consultant, and Wafaa El Dars – MFA.

The output of the meeting:

- 1) Full appreciation of the participants to MFA Public Education program and full engagement with MFA in the process
- 2) Full engagement of the participants in the Communication Committee and specifically its mandate and objectives to reach out the optimum level of public outreach
- 3) EFS will send posters and printed materials to the participating members
- 4) The next meeting will be on April 11 at 3:00 p.m. The preliminary agenda of the meeting will be as follows:
  - a. Proposed ideas and tactical education programs by the MFCs
  - b. Next Quarter preliminary action plan for the committee, highlight the MFA planned activities and engagement mechanism.

Some feedback in the meeting:

- 1) More public education and outreach in simple format about the Legal procedures for Mortgage finance
- 2) High need to aggressively educate the different stakeholders
- 3) The need to communicate the Azhar support for mortgage finance practices
- 4) Maintain and communicate the mortgage finance Icon, Emtalek Beitak, the Program Brand
- 5) High Interest in engagement of editorial content and supplements in newspapers

Mortgage Flyer - Technical team is reviewing the text along with MFA and will send us a final text for insertion on the design. The PA team is currently drafting a SOW for a designer to work on the mortgage flyer design amendments as well as stand design.

Bank Leaflet Publication – Task 1 Research Assistant and Task 1 Leader developed a leaflet on mortgage to be used by banks. The leaflet incorporates basic information on steps to apply for a mortgage loan as well as important information for the investor to know, and a short glossary for basic terminologies used in the mortgage industry. This leaflet was reviewed by EFS Senior Legal Advisor and Task 1 Loan Analyst. It was presented to MFA for review and sign off.

Communication Specialist - MFA hired a communication specialist who should be on board as of April 2. He attended the banks workshop for orientation purposes. The EFS PA team will provide on-the-job training over the next several months to shift some of the public awareness activities for the MFA to handle internally.

Consumer Protection Brochure – The Task 1 Leader, the Regulatory and Audit Advisor, the Mortgage Lending Specialist and the Senior Legal Advisor developed a draft outline for the material to be included in the consumer protection brochure. This was discussed with MFA Deputy Chairman and Consumer Affairs advisor at MFA. EFS Legal Advisor compiled all legal articles addressing the issue.

Consumer Survey - Task 1 Research Assistant reviewed the Excel outputs from the research agency and the SPSS data file for the first 100 participants, and contacted the research agency for amending both of them. She also developed and sent an SPSS data file for the research agency to use as template in the data entry process for 2007's survey.

**IT:**

IT Systems Presentation to Lenders - Two meetings were held between EFS and the 3 MFCs members of the consortium, in addition to another separate meeting that was held with Head of IT at Taamir. During the first meeting, the organizational background and the

requirements sections of the RFP were reviewed with the attendees from the 3 MFCs and EMRC. Several points that required clarification were addressed. These basically covered post dated checks modules, securitization requirements, EMRC reports, and implementation methodology and warrantee period. Besides, the briefing on the SOW section of the RFP was addressed.

MFA Procurement Phase II Part 2 - Received 4 proposals in response to the MFA phase II part 2 RFP. The IT procurement/operations specialist reviewed the proposals. Clarifications were required from the 4 bidders and letters were sent to the bidders through the HO.

Electronic Exam System - The Senior IT Advisor planned a presentation for two of the available Electronic Exam Systems. The presentation was conducted by Siemens and was attended by the MFA top management and advisors. Siemens presented Question Mark and Centra software solutions.

Call Center Extension - The MFA requested to extend the call center service for one additional year. Xceed, the call center service provider for the MFA, was requested to submit a quotation. An amendment was prepared to extend the service for one additional year starting on April 9, 2007. The amendment was sent to the HO for approval.

Financial System Implementation Assistance to the MFA - The MFA requested the EFS project assistance in implementing the Financial System provided by the MSAD. A short-term financial systems specialist started work on the first week of March 2007. He started with the assessment of the existing situation. He conducted several meetings with the MFA financial department staff, MSAD, and Giza Systems, the software developer. He identified so far 23 problems, 9 problems were resolved in coordination with both MSAD and Giza Systems. The remaining 14 problems are under investigation by Giza Systems.

Support to the MFA ERP - EFS mobilized a short-term Financial Systems Implementation Specialist to help in implementation of the ERP System at the MFA.

Back-up Leased Line - The MFA requested to extend the Internet leased line service for one additional year. Nile Online, the ISP for the MFA, was requested to submit a quotation. A Purchase Order was issued to Nile Online to extend the service for one additional year starting on April 1, 2007.

**Professions Associations - Professions Associations** – The EFS Association Development short-term advisor continued the assignment started on December 3, 2006 to provide update on the current status of professional real estate business associations, and assess the implementation progress of their business plans developed with EFS assistance in March 2006. Findings and updates of association status, in addition to future plan and recommendations, were finalized and wrapped up in a comprehensive report and submitted to Task 1 leader.

The draft report on current status, progress, findings and recommendations for the below six associations was circulated to Task 1 team for review and comments:

1. The Egyptian Association of Real Estate Appraisers
2. The Egyptian Mortgage Association
3. The Arabian Real Estate Association
4. The Egyptian Mortgage Brokers Association
5. The Mortgage Brokers Association
6. The Egyptian Association for Foreclosure Agents

**Legal Issues** - EFS Legal Advisor contributed to the following:

- Instructing on the MFA workshops presentations to banks
- Providing the presentation on protocol with NUCs
- Reviewing the circular on the tripartite agreement
- Compiled legal articles related to consumer rights for the consumer protection brochure

**Developers' Survey** - Task 1 Financial Analyst worked with the short-term Primary Mortgage Finance Advisor in developing the final version of the technical survey. A translated Arabic version was completed. Task 1 Financial Analyst matched research objectives with the survey questions for the Research Assistant technical needs and was delivered to Task 1 Team Leader. Association Development short-term advisor arranged for a meeting on Thursday 15 March, with Fathallah Fawzy, Head of the Developers Association, to introduce the survey, solicit his views on the process and identify targeted interviewees. ST Primary Mortgage Finance Advisor attended as a mentor for the team.

**B. Activities Scheduled for Next Quarter**

- Finalize the Primary Mortgage Lending Course (MBA)
- Finalize SBI participant manual
- Organize NBE-MBA training
- Provide the mortgage brokers presentation to the regulatory team as per the chairman's request
- Finalize the report on Associations
- Continue the technical translation of the MFA Manual for Supervision
- Continue work on consumer survey
- Begin MFA Procurement Phase II Part 2
- MFA to set date for media education session
- Prepare for MFA educational TV program
- Prepare for MFA documentary

### Loan Portfolio Figures

#### Summary of Total Loans Originated by the Two MFCs through March 2007

Co. Name	Volumes					Values In '000					Accumulated	
	2005	2006	Jan. 07	Feb. 07	Mar.07	2005	2006	Jan. 07	Feb. 07	Mar.07	Volume	Value In '000
<b>EHFC</b>												
Mortgages	56	97	4	19	8	12,426	36,194	1,242	8,819	1,526	184	60,207
Portfolio Acquisition	187	123	0	0	0	54,521	75,460	0	0	0	310	129,981
<b>Sub. Total</b>	<b>243</b>	<b>220</b>	<b>4</b>	<b>19</b>	<b>8</b>	<b>66,947</b>	<b>111,654</b>	<b>1,242</b>	<b>8,819</b>	<b>1,526</b>	<b>494</b>	<b>190,188</b>
<b>TMC</b>												
Mortgages	73	325	20	13	14	14,925	45,091	5,167	6,450	5,092	445	76,725
Portfolio Acquisition	0	443	0	0	37	0	31,113	0	0	3,831	480	34,944
<b>Sub. Total</b>	<b>73</b>	<b>768</b>	<b>20</b>	<b>13</b>	<b>51</b>	<b>14,925</b>	<b>76,204</b>	<b>5,167</b>	<b>6,450</b>	<b>8,923</b>	<b>925</b>	<b>111,669</b>
<b>Grand Total</b>	<b>316</b>	<b>988</b>	<b>24</b>	<b>32</b>	<b>59</b>	<b>81,872</b>	<b>187,858</b>	<b>6,409</b>	<b>15,269</b>	<b>10,449</b>	<b>1,419</b>	<b>301,857</b>
<i>% increase in the portfolio</i>		313%	2%	2%	6%		229%	2%	6%	5%		

Source: Mortgage Finance Companies and the MFA

### **C. Challenges Encountered and Proposed Remedial Actions**

- Challenge: Maintain good working relationship with the MFA and expand relationships with MOH and CBE  
Proposed Action: Coordinate with MFA  
USAID Support: Assist EFS with reaching an agreement with MFA
- Challenge: Need to expand program horizons to address new project focus of increasing the volume of housing finance transactions  
Proposed Action: Increased LOE with banks, CBE, MFCs and conduct study on other viable mortgage products  
USAID Support: Approval to increase resources
- Challenge: Phase out developers from providing finance  
Proposed Action: Work out necessary clause within 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: Searching best solutions and collaborating MFCs to buy or build the required software.  
USAID Support: Assist in searching for the software

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

#### **Overview**

- EFS has executed bilateral Memorandums of Understanding (MOUs) with the two key process owners – Ministry of Justice/Real Estate Publicity Department (MoJ/REPD) and the Egyptian Survey Authority (ESA)
- EFS has been assigned Shobra El Kheima and Mokattam as designated areas in which to implement/introduce the improved personal deed system
- EFS is using Business Process Improvement/Reengineering as a key strategy and management tool to dramatically increase the quality, efficiency and cost effectiveness of business processes within the registration system
- Focus is placed on understanding customer needs, identify how best to meet and serve those needs and “reinventing” the value stream of core business processes
- Three elements are essential to this effort:
  1. The redesign of core business processes
  2. The application of enabling technologies to support the new core processes
  3. The management of organization change

#### **Outcomes:**

- An enhanced deed system that will immediately support the issuance of mortgages
- One-stop, customer friendly registry offices with integrated personnel from the notary office, ESA district personnel and REPD staff
- Hardware and communication equipment delivered, installed and fully operational in the new Mokattam Registry Office and EPO Cairo office
- Application software installed and operational

- Electronic exchange of information (both graphic and non-graphic) between REPD and ESA
- Document flows and document production in electronic format
- Fully-trained staff versed in new procedures and customer service
- Ease of conversion to MSAD's Title Registration system
- Ultimately, public web-based access to some information services
- A fully operational modern registry office, located in Mokattam, delivered and transferred to REPD by end December 2007

### ***Key Accomplishments***

#### **A. Activities Performed During Quarter**

**New Task Leader** – Noel Taylor arrived on January 24 to assume Task 2 TL responsibilities from Dougal Menelaws. Noel was accompanied by COP, Ray Struyk, Ingi Lotfi (USAID), Fatma Kader, Massad Ibrahim to an introductory meeting with ESA Chairman, Hisham Nasr, on January 25. François Pépin and Ali Abd Salam accompanied Noel for an introductory meeting with Counselor Hosni and Mrs. Ibtesam Habib (REPD) on January 28.

**REPD TDC Launch** – The Assistant to the Minister of Justice, Counselor Mohamed Hosni, officially opened the Training Development Centre (TDC), established with the assistance of EFS, within the MOJ Real Estate Publicity Department (REPD) on February 4, 2007. The opening included speeches by representatives from USAID, EFS and the REPD.

The TDC provides the REPD with an ultra modern training facility consisting of a lecture room seating up to 50 people, a 24 workstation IT laboratory, and meeting rooms. It will be used in delivering training to REPD on a wide range of property registration related topics spanning background and concepts of property registration through to public awareness, and the application of reengineered business processes via new IT systems, which will also be developed with EFS support.

**IRM Approval** – IRM approval for procurements and infrastructure upgrades associated with the ESA Training Centre, Cairo EPO, and MRO has been officially received. Preparation of bidding documents by HO and the Field Office will now commence. Task 2 met with the IT and Operations teams to discuss the scheduling of tasks and deliverables associated with procurement associated with upgrading/establishing counterpart facilities. Procurement and implementation of all services and installation of all hardware is expected to be completed by the end of August 2007.

**Mokattam MRO Space** – There has been no movement from the MOJ Court Buildings Fund on the final location of the MRO. EFS has informed both Mrs. Ibtesam and Counselor Hosni of this delay, along with the fact that more than \$1 million in procurement could be in jeopardy if it is not resolved quickly. Counselor Hosni has indicated his displeasure with the delays within MOJ and has agreed to personally deliver the required materials for formal response from the relevant Assistant to the Minister. EFS has provided Counselor Hosni with a letter outlining the sequence of events so far and mentioning possible procurement problems so that he can use this to help encourage a final decision from MOJ.

**ESA Training Courses** – ESA training staff undertook an EFS supported Trainer Refresher Skills course from January 14-18. The course was delivered by AMIDEAST at the Egyptian Survey Authority Premises and it was aimed at improving the training skills of ESA trainers.

Following on from the course above, ESA trainers underwent further training from January 22-29. This training covered technical content that makes up the EFS designed cadastre

systems training course. Training was provided by two EFS Cadastre Systems Training Specialists.

**REPD Core Curriculum Manual & Staff Training** – Based on the inputs of Justin Holl, Ali Abdel Salem, and Nigel Edmead, a draft training manual on the improved deeds registration system was submitted for review on February 27. This manual covers property registration principles, an explanation of the current approach to deeds registration in Egypt, instructions for implementation of the improved deeds registration approach, and registration of mortgage finance agreements. The manual was translated and now requires updates from the trainers contracted by EFS to train REPD staff. The manual will be updated with more curriculum of a more technical nature in the context of Egyptian registration procedures, including case studies for practical aspects of registry office operations. Training is expected to commence in the TDC from April 15.

The technical team and training team met to discuss the REPD training plan for 2007. It was agreed to postpone the IT training until Q3 of 2007; the rationale behind this is that training on the REPD specific software will not commence until November 2007, and the Basic IT training should precede it directly. On the other hand, the training team will assist the technical team in the preparation of the course material of the core curriculum that should commence in May 2007.

**Parcel Index Mapping Tender** – ESA signed off on technical evaluation of the tender evaluation and financial evaluation was completed. Two companies were invited to EFS for an initial round of negotiations so that Task 2 could gain a clearer understanding of their proposed unit pricing and the justifications behind them. The two companies were requested to submit a breakdown of line item costs that were used in preparing the financial proposal by March 29. Negotiations will continue after receipt of this information.

**ESA Surveying Equipment & Training Courses** – The surveying equipment was transferred to ESA and insurance put in place under EFS. Training on the equipment by Trimble commenced on March 11. This course ran for 2 weeks and allows for ESA to be in a position to commence the Cadastral Operations Course, which runs for 3 weeks. The actual start of this course will be delayed until subcontracts are in place for the companies undertaking mapping in Mokattam. It is currently envisaged that this training will commence no later than April 22, which represents a delay of approximately 5 weeks from the original Task 2 work plan.

**EPBDS & ICRS Schedule** – USAID gave technical approval for the release of the EPBDS-ICRS RFP to QSIT on March 27. It was submitted to QSIT on March 28, with a deadline for submission of April 12. QSIT immediately requested an extension through April 22, due to the company undergoing quality accreditation for CMMI, and a number of national holidays falling during the preparation period. The extension was granted.

**Mokattam RO Service Area** – Mokattam Municipality and ESA have both agreed with the service area boundary proposed by EFS. The only boundary still not clear is that to the North. This is where the Emaar property development concession is located and the project would like to include this within the service area. Due to restructuring of Emaar, no information could be provided by the company during this phase. It is expected that Emaar maps might become available in the first week of April.

**Working Group on REPD Instructions** – The Working Group met a number of times with a number of key agreements being reached. Examples of this include the signing by parties and notarization of documents at the beginning of the process. Justin Holl will arrive in the second week of April to assist the Working Group in preparation of the revised instruction. MFA has also established a separate working group looking at registration issues.

**Task 2 Stakeholder Workshop** – The workshop conducted with representatives from REPD and ESA on February 20 was very successful. There was a great deal of interaction from all parties and it has proven to be a very successful mechanism for re-engaging our counterparts and presenting recommendations for improvements to the deeds registration system.

Head of REPD, Mrs. Ibtisam and ESA Chairman, Hisham Nasr, were both extremely happy with the presentations from EFS and the ability to openly discuss ideas. As a result of this meeting, Counselor Hosni of the Ministry of Justice sent a letter to EFS requesting that the Project coordinate the formation of a working group to develop improved procedures and processes for deeds registration. Dr. Hosni has nominated REPD, ESA and NUCA as stakeholder agencies on this working group.

**Trainer Refresher Skills Course** - The Trainer Refresher Skills course was delivered to the Real Estate Publications Department staff on February 18, 2007. The course lasted for five days and ended on February 25, 2007. The course was delivered by AMIDEAST at the Training Development Center of the REPD, which was recently completed and authorized to become operational. The course was attended by 10 participants.

**Public Awareness** - PA team was requested by the Task Leader to revisit the PA plan and adapt it to the current and planned activities of the registration task and prepare a new estimated budget for PA activities to be presented to USAID for approval. The Senior PA & Communication Advisor made a presentation to the registration team on the new and adjusted PA plan for the task, and the leader and team have approved the plan. The PA team is preparing the estimated budget, ST LOE and final description of the PA activities and will send it to the leader next to be presented to USAID for approval. The PA team will send along with the new PA plan all required SOWs for required STs with estimated LOE and daily rates.

## **B. Activities Scheduled for Next Quarter**

- Continue to address the need for formal assignment of MRO service area boundaries by gaining access to Emaar development plans
- Continue meetings of the Working Group on REPD Instructions
- Commence procurement procedures for ETC/EPO/MRO facilities and equipment
- Complete negotiations with companies for PIM in Mokattam
- Revise PA activities scheduled for Task 2 for discussion with COP and USAID
- Continue to work with REPD in finalizing location and lease of Mokattam MRO
- Identify possible locations for Task 2 Mokattam office
- Visit MCIT to understand lessons learnt in automation of registration in rural areas
- Assist ESA with cadastral numbering of PIM zones in Mokattam
- The IT Procurement / Operation specialist will send the technical specification of the MRO, EPO and ETC systems to the HO to proceed with the procurement process

## **C. Challenges Encountered and Proposed Remedial Actions**

Challenges:

- To deregulate, reengineer, simplify, automate and then implement the improved personal deed system in Mokattam.
- To make registration culturally acceptable and popular with the public.
- To maximize, to the extent possible under current law, use of the private sector in the delivery of registration related services on a replicable, sustainable basis.

- To ensure sufficient legal and regulatory reforms are adopted to support new best practices and procedures derived from business process reengineering
- To deliver and test a prototype registration system with full documentation to MSAD to enable roll-out and replication on an independent basis without further need for EFS services.

Proposed Actions:

- Deregulate and privatize registration related services – requires extensive regulatory reform and possible new law
- Utilize the services of private contractors to undertake field survey work and the preparation of cadastral index maps for the Mokattam area
- Targeted public outreach and education/awareness campaigns in Mokattam, using private contractors, on the benefits of both property registration and mortgage finance.
- Publicize and promote with the public the newly adopted affordable fee structure for first time registration and subsequent transactions
- Use innovative technology tools in the redesign and automation of business applications
- The delivery to MSAD by end 2007 of an eventual blueprint with total system documentation designed to eliminate the need for further EFS services and facilitate replication and roll-out of additional registry offices under the coordination of MSAD on an independent basis.

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

**A. Activities Performed During Quarter**

***Key Accomplishments***

**Master Repurchase Agreement** - The CMA issued the decree, pursuant to the executive regulations to the Capital Market Law, approving the Master Repurchase Agreement in bonds, drafted by EFS and US Treasury Advisor Keith Krchak. The Repo agreement will enable primary dealers in government bonds, and bond dealers in corporate bonds, to finance their inventory of bonds and increase liquidity on the secondary bond market. EFS will follow up to observe and technically respond, if needed, to the market comments and amendments requests.

**Short Selling and Margin Trading** –On March 15, MOI approved and issued the new executive regulations on margin trading and short selling proposed and drafted by EFS to the CMA. The new regulations implementing the recommendations made in 2006 by EFS/NASD to open the market to securities intermediaries to conduct more securities business rather than having banks dominating the market with no priority to promote the capital market.

Short-term advisor Charlie Rubin delivered his draft trip report on testing MCDR and CASE systems for short selling and providing training to the regulatory and operational staff in short selling operations. Charlie delivered a series of training workshops on short selling to:

- CASE and MCDR staff (19 participants) on March 12, 2007;
- ECMA broker and custodian members (160 Participants) on March 13, 2007;
- CMA Surveillance, Inspection and Legal Departments (25 participants), in the presence of the CMA Deputy Chairman, on March 15, 2007.

**Commodity Futures Exchange** – A coordination meeting was held February 22 between MOI's Senior Financial Services Advisor and advisors, FSVC, and EFS and its short-term legal advisor Dr. Bahaa Ali El Dean, in preparation for the two FSVC volunteers' arrival the week of February 25 when they were to formulate the general legal framework supporting a commodity futures exchange. A full meeting of all parties was then held February 25. EFS and FSVC met on subsequent days to contribute to the volunteers' presentation to the Minister at assignment end: the legal umbrella covers the purpose of the law, its scope, the regulatory authority and its powers, trading and clearing and settlement, licensing of intermediaries, enforcement, violations and civil recourses. A mid-week meeting between all parties was held to discuss certain issues and obtain feedback. This work is done pursuant to MOI Ministerial Decree #42 of February 19, 2007, issued pursuant to EFS assessment report prepared by short-term commodity advisor Bruce Brower. The Decree defines the mandate of the Working Group, recommended in the EFS report, and specifically mentions EFS's role in drafting the law and regulations, reviewing the exchange and settlement rules, and assisting the regulator implement its oversight of the commodity futures market. EFS new legal research assistant started a research on the laws and regulations of commodity future exchange in Egypt from the year 1885 to present time and all relevant articles in the civil, commercial, capital market and *sharia* laws so as to help in drafting the new law and regulation.

**MCDR** - In preparation for the CSD9 Conference of the world's central securities depositories at their bi-annual meeting in April 2007 in Seoul on global challenges and opportunities, MCDR requested François' contribution to the formulation of a presentation. This presentation will be delivered by the MCDR Chairman Mr. Mohamed Abdel Salam on "The future advancement of CSDs through Harmonization and Globalization." In consultation with Ahmed Hussein, François delivered and presented suggestions in a meeting with Ahmed and MCDR's Riham Gamal, for the Chairman.

**Financial Leasing and Factoring** - On January 30, the Prime Minister approved the issuance of proposed amendments to the executive regulations to the Investment Guarantees and Incentives Law related to the legal framework for factoring business in Egypt. On February 5, GAFI Board of Directors approved proposed rules on factoring. Following the adoption of the proposed regulations and rules, a first company was granted license for factoring business (registration with GAFI).

François Pépin and Ahmed Hussein met on March 15, 2007 with GAFI Chairman Dr. Ziad Bahaa El Din and Mr. Abdel Hamid Ibrahim to discuss the technical assistance requested by GAFI in factoring and financial leasing:

- Develop and produce a publication on factoring both in Arabic and English to raise awareness of this new financial instruments following the adoption of the regulations and rules proposed by EFS;
- Propose an internal structure and work system for the factoring department at GAFI;
- Design and implement a public awareness campaign on financial leasing, including a brochure and workshops for beneficiaries of leasing, particularly for SMEs in 3 to 4 governorates;
- Provide training to and build capacity of GAFI staff in financial leasing;
- Review and propose necessary changes to the legal framework on leasing;
- Provide training for judges on the leasing legal framework.

The proposal was delivered in a draft form to Mr. Ibrahim to review and finalize this proposal for implementation with the GAFI Chairman. The proposal addressed improving the legal framework on leasing; public awareness; training of judges; capacity building of GAFI and staff in overseeing the leasing industry, and capacity building of GAFI's registry of leases through information technology, as one of the functions of a modern collateral registry.

**Collateral Registry** – Ahmed, Shams, and François corresponded with short-term advisor Yair Baranes, and drafted and finalized a statement intended for the Ministry of Investment, pursuant to an outline prepared previously, to hopefully obtain sponsorship or support to establish secured financing in Egypt with a state-of-the-art electronic collateral registry. The statement is an overview of what secured financing is, its benefit to the financial system, other countries' experience, the role of the government, its framework, and implementation.

François, Shamsnoor and Ahmed met on March 18 with Senior Financial Advisor to MOI Mr. Abdel Hamid Ibrahim to discuss the proposed statement on movable collateral registry and draft letter to the Minister. The following are the main comments Mr. Ibrahim made in this meeting:

- The proposed registry is very important in solving a main problem for investment in Egypt which lacks access to finance (credit);
- He is personally interested in this activity as it falls within his scope of work as advisor to the MOI;
- He needs to confirm the business need for the registry from the creditors' perspective. Mr. Ibrahim thus arranged a meeting with Chairman and Managing Director of Misr Iran Bank Mr. Ismail Hassan (former Governor of the CBE) on March 22 for EFS to present the concept of the collateral registry;
- Mr. Ibrahim supports the idea of having the registry established and operated by the private sector;
- EFS would investigate from the legal point of view the possibility of establishing the registry without having to issue a new law or amend an existing law;
- Mr. Ibrahim will prepare and present to the Minister an internal memo on the subject and potential assistance by EFS.

On Thursday March 22, COP Raymond Struyk, François, Ahmed and Senior Legal Advisor Shamsnoor Abdul Aziz met with Chairman Ismail Hassan and Mr. Ibrahim to present the concept and benefits of establishing a movable collateral registry in Egypt. Mr. Hassan believes movable collateral is currently used in securing credit and being registered with the Commercial Registry (commercial pledge) which needs to enhance efficiency and automation. Mr. Ibrahim also emphasized the need to enhance efficiency and automate the leasing registry with GAFI.

Task 3 Team then met with COP and determined to further investigate the business need for establishing a collateral registry separate from the Commercial Registry, in pursuit of EFS' contract. To this end, EFS will organize a roundtable with bank lawyers dealing with registration of commercial pledge and foreclosure on movable collateral in the courts.

François contacted USAID ICT and TAPR 2 projects for an update on their assistance to the Commercial Registry on registration of movable collateral. ICT project COP Kevin Haupt responded by confirming ICT had concluded it was not advisable to pursue assistance with the Commercial Registry.

**Capital Adequacy Standards for Brokers** - Following the issuance of the broker's capital adequacy rules on February 4, the CMA and ECMA organized four training sessions into these rules for members of ECMA. The Task Leader and Senior Financial Advisor Ahmed Hussein participated as an instructor in the two sessions that took place on February 25-26, 2007 with CMA Deputy Chairman Mr. Alaa Amer and CMA Senior Disclosure Advisor Mr. Mohamed Yehia. The sessions were attended by 60-70 representatives from brokerage, bond dealer and custodian firms.

Ahmed Hussein also participated as an instructor in the two sessions that took place March 4-5, 2007 with CMA Deputy Chairman Mr. Alaa Amer and CMA Senior Disclosure Advisor Mr. Mohamed Yehia. The sessions were attended by about 70 representatives of brokerage,

bond dealer and custodian firms. He further trained 32 economic and financial journalists on capital adequacy standards in a program organized by CMA and the Egyptian Union of Chambers of Commerce on March 12, 2007. The new rules will be into effect starting April 15, 2007.

Ahmed Hussein participated with CMA Chairman Dr. Hani Sarie El Din and CMA Advisors in a meeting organized by ECMA on March 13, 2007 to respond to inquiries raised by brokers on the application of the capital adequacy standards.

**Task 3 Staffing** - Legal Researcher Ashraf Ahmed has joined the EFS on February 19. Financial Researcher, Rania Samir, will join EFS in the second week of April.

#### **B. Activities Scheduled for Next Quarter**

- Finalize a report on short selling by Charlie Rubin
- Finalize short-selling report (Ahmed Hussein)
- Organize, and request USAID for fielding:
  - fixed-income securities advisor
  - derivatives training advisor, and
  - commodity futures exchange legal advisor (with FSVC)
- Meet GAFI and MOI on financial leasing reform plan

#### **C. Challenges Encountered and Proposed Remedial Actions**

None

#### **TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM**

##### ***Overview***

- Amendment in the Banking Law - *Approved by Parliament, June 2005*
- Licensing Requirements - *Approved August 2005*
- Rules and Regulations - *Approved February 2006*
- Legal Formation of Private Credit Bureau ESTEALAM - *August 2005*
- Foreign vendor selection - *July 2006*

#### **A. Activities Performed During Quarter**

##### ***Key Accomplishments***

**FTC Training** – A technical SOW for the FTC was developed by the Task Leader and discussed and approved by the COP. Task 4 is working on arranging further meetings with Central Bank. HO was notified to start supporting with implementation.

**CBE OST Training** - Task 4 and Training are beginning to work on an OST to send two officials from the CBE to attend Effective Continuity Planning Program in October to be followed by some site visits to institutions involved in supervising credit bureaus in the U.S.

**Meeting with the Lead Foundation** – A meeting was held at Lead Foundation on January 17 with Maha El Kelish and Ahmed Kamel of I-Score and Karim Fanous, the Executive Director of Lead. The meeting was attended by Karim Hamdy from Task 4. During the meeting, I-Score provided him with the MOU and discussed issues concerning the consents and cost for pricing. It was suggested that I-Score meet the MFI network and sign an MOU with ESED, and the Lead legal department will review the MOU provided, rules and regulations, and the membership agreement.

**Meeting with Micro Finance Network** - Task 4 met Nevine Badr El Dine, Acting Executive Director of the Egyptian Micro Finance Network at SFD on March 18. She advised that the network will delay their response to the Credit Bureau with respect to membership. They have not taken steps to prepare a Central database of its member's providers of Micro loans to deal with the credit bureau as one entity, and that the whole matter depends on securing funding for this issue. Task 4 will continue to be in touch with SFD for developments in the future.

**Meeting with Commercial Registry Authority** - Task 4 and a legal advisor met with Dr. Mustafa Abou El Eyou, President of the Commercial Registry Authority on March 19 and on March 21 with the attendance of a credit bureau representative, Maha El Kelish. A project is ongoing to have a unique commercial registry number for corporates. This will take six months to one year to be finalized and all data be centralized. Means of cooperation between the Authority and the credit bureau can be made through a protocol drafted with the Minister's approval. He emphasized that the credit bureau should not have exclusive rights, nor commercially use the data. At the end of the meeting it was agreed to draft an agreement protocol to be presented to the Authority to get the Minister approval, then to discuss if there will be a fees of obtaining the Authority registries.

**Letter to Ministry of Interior** – A letter was drafted by Task 4 to request formal cooperation of the Ministry of Interior to enable I-Score to continue discussion with the Ministry of Interior on obtaining criminal judgments. The letter was sent to I-Score and Emad Hassan, MSAD on February 11.

**Egyptian Network for Micro Finance (EMFN)** - Following an arranged meeting for I score to meet the Egyptian Network for Micro Finance, Task 4 prepared a strategy for approaching the Egyptian Network of Microfinance institutions. EFS held a preparatory meeting with I-Score on February 11 to discuss the strategy in addressing the Network.

The meeting held with the EMFN on February 13 with the network Executive committee: ABA, Lead, SBACD, El Mobadra and the network acting manager from the SFD. I-Score presented the Credit Bureau and some issues were raised by the MFIs like scoring, credit data, the costs in accessing the credit bureau, the legal consents, the legal form of the loan applicants and also some concerns on the contract between I Score and potential members. The network's main point is that the credit bureau should deal with the network representing all MFIs and not with each MFI individually. At the end of the meeting, it was agreed that the network will address the credit bureau issue and a suggested MOU with I score in their coming board meeting March 1.

**Meetings with EQI** - Following a demonstration of the credit report by I-Score, EQI commented that it seems that it will take the MFIs time to read the credit report. Following this meeting, Task 4 and EFS senior IT advisor met Eng. Nabil Zaki, IT Director at EQI on March 25 in order to brainstorm the issues at hand. EQI advised that as a system developer, they are not going to make changes to their system unless they receive a formal request from at least 2 or 3 largest MFIs who are their clients.

**Credit Bureau Training for Banks** - The Credit Bureau adjusted the dates of the first session of training to Banks. The training program was implemented and completed for March 14, 15, 2007 at the Nile Hilton. This training was directed at 48 banks, around 16 banks represented on each day, and introduced to the Credit Bureau, and requirements that should be included in the Credit Report. The first two events were attended by 80 to 85 participants for each day. The training team facilitated the logistics and provided technical training assistance to ensure the efficiency and effectiveness of the presentations and sessions. The PA team reviewed the speakers' presentations and trained the MC's on

presenting the speakers. The third training session for banks, sponsored by EFS for I-Score was held on March 27, 2007. Forty participants, from various banks, attended this event. This session concludes the first set of training for banks as planned with the Credit Bureau. The second set will include three half-day sessions to further discuss and illustrate the technical information that was provided in the first training. The second set of events should be implemented in April 2007 and will be targeted at the same participants of the first sessions. The training team is coordinating with the Credit Bureau on planning the details for the upcoming sessions.

**CB Communication Strategy** – ST Consultant Dalia Wahba started gathering some reading materials and documents with the support of the PA team to be oriented on the current status of I-Score activities to start working on the Communication Strategy.

**I-Score Media Strategy** - A media strategy presentation was delivered to the credit bureau at I Score (March 4) by Rania Rashed and Dina Osman to senior executives. Karim Hamdy, Task 4 attended the presentation. It was agreed to hold a monthly media mobilization event starting March 12 and the second one to be held on the third week of April. Prior to presentation, a meeting was held with Ms. Maha El Kelish and she advised that the training for 'Banks integration to credit bureau' will be postponed from March 8-14.

**Second Media Education Session** - The second session was conducted at I Score premises on February 25, 2007 from 3:00-6:00 p.m. on 'How to Deal with Media'. The session was attended by I-Score Managing Director, Chief Financial Officer, Marketing Assistant, IT Manager and administrative assistants. The staff was trained on how to write and develop a press release, how to conduct a TV interview and were given tips on general media interviews.

**Media Mobilization Event** - PA held the first media mobilization event on March 12, 2007 at I-Score's premises from 9:30 a.m. until 12:00 p.m. The event was attended by 13 key economic and financial reporters from different newspapers and magazines.

The PA team provided I-Score with a selected media list to invite, developed and prepared invitations to the event and two press releases, and coached and oriented the I-Score communications specialist on how to communicate and interact with media reporters. PA also followed-up with the communications specialist confirmation rate of attendance, prepared and translated speakers' presentations in cooperation with EFS translation team, and contacted some key journalists to confirm their attendance and encourage them to attend it or send replacements if they could not attend.

Press coverage on this event was published in the following newspapers:

- 1- Ahram newspaper by Ms. Iman Iraqi, issue dated March 13
- 2- Al Wad newspaper by Ms. Hanan Osman and Mohamed Adel, issue dated March 13
- 3- Al Akhbar newspaper by Mr. Farag Abul Ezz, issue dated March 13
- 4- Al Akhbar newspaper issue dated March 14

#### **B. Activities Scheduled for Next Quarter**

- Arrange to meet I-Score to discuss various pending issues related to our technical assistance
- Follow up with Hassouna and Abou Ali to ensure that their deliverable report is submitted
- Follow up with the preparation of the protocol to provide CB with access to the Commercial Registry Authority databases.
- Coordinate with HO for the FTC training for CBE

- Kick off communication strategy for I-Score

### **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 ESTEALAM 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**

- Nagwane Zohary joined EFS as Communications Officer on January 15
- Noel Taylor arrived on January 24 as the new Task 2 Leader
- Ashraf Ahmed started as the new Legal Researcher for Task 3 February 19

**Midterm Progress Report** - The Midterm Progress Report was delivered to USAID on January 15.

#### **B. Performance Management Plan (PMP)**

All Data Quality Assessment forms have been completed for all indicators. Ireny Roman has also been capturing all historical and updated data/information in a new spreadsheet format which will be updated per the schedule of data collection in the PMP for each indicator.

**ANNEX 1: SHORT-TERM INTERNATIONAL ADVISORS FIELDED THIS QUARTER**

Name	Type of Specialist	Primary Area of Assistance	Target Dates		LOE Estimated
			Start	End	
<b>Administration</b>					
Sameera Qadoura	Training Specialist	Task 5.1	TBD	TBD	3 billable days
Ayman Nimer	IT Specialist for Training Software	Task 5.1	TBD	TBD	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
Erik Vonderhaar		Task			billable days
<b>TASK 1</b>					
Donna Nails	Training Specialist	Task 1.3.2	1-20	2-16	23 billable days
Garth Bedford	Training Specialist	Task 1.3.2	1-20	2-16	22 billable days
Nahla Hassan	Senior Outreach Consultant	Task 1.10.3	2-1	3-31	40 billable days
Mitch Medigovich	Primary Mortgage Finance Advisor	Task 1.10.1	2-19	3-26	31 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
Noha Sobhi	Association Development Specialist	Task 1.3.3	12-3-06	2-8	25 billable days
<b>TASK 2</b>					
Mahmoud El Nokrashi	Senior Cadastral Systems Trainer	Task 2.12.02	1-17	5-31	13 billable days
Justin Holl	Senior Land Attorney	Task 2.10.01	4-6	1-5	22 billable days
Sean Johnson	Land Formalization Specialist	Task 2.12.3	2-2	2-28	24 billable days
Nigel Edmead	Property Registration Systems Trainer	Task 2.12.02	2-3	2-27	22 billable days
Hala Fathi Ragab	Senior Legal Policy Advisor	Task 2.10.01, 2.10.02	1-28	2-14	6 billable days
Sergiy Lizenko	Senior Systems Analyst	Task 2.11.2	4-13	1-5	18 billable days
Mohamed Maghraby	Senior Cadastral Systems Trainer	Task 2.12.02	1-17	5-31	13 billable days
<b>TASK 3</b>					
Bahaa Ali El Dean	Legal Consultant	Task 3.11.8	2-4	4-30	30 billable days
<b>TASK 4</b>					
Ahmed Salah	Legal Consultant	Task 4.01.08	2-1	2-28	11 billable days
Ahmed Abu Ali	Legal Advisor	Task 4.2.10	10-1	2-28-07	15 billable days

**ANNEX 2: TRAINING EVENTS/ ACTIVITIES DELIVERED FIRST QUARTER**

<b>Title of Training</b>	<b>Training Method</b>	<b>Targeted Audience</b>	<b>Total Participants</b>	<b>Timeframe</b>
<b>Off-Shore</b>				
Overseas Study Tour for MFA regulators	OST	MFA regulators	4	March 16 - 25, 2007
<b>In-Country</b>				
Loan Origination and Underwriting	Short course	Commercial bank lenders, newly created finance companies, other lenders	18	February 4 - 7, 2007
Loan Servicing and Risk Management	Short course	Commercial bank lenders, newly created finance companies, other lenders	15	February 11 - 14, 2007
Short Selling workshop	Workshops	ECMA, CMA, CASE, MCDR	100	March 12, 14, 15, 2007
Banks Integration into the Credit Bureau	Workshops	Commercial Banks	240	March 14, 15, 27, 2007
		<b>Total Participants</b>	<b>377</b>	

**ANNEX 3: LIST OF DIRECT PROCUREMENT DURING THIS QUARTER**

Contracts made during Quarter 1:

Local:

- 1) MFA – Backup Leased line extension for 1 year = L.E. 30,000 (Q1)
- 2) MFA - 2 Notebooks = L.E. 28,326.00 (Q1)
- 3) MFA – HP 3055 All in one = L.E. 2,670.00 (Q1)

USA:

- 1) MFA – 7 Notebooks = \$ 14,881 (Q1)

## **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 Fathy El Haddad	Translation and Publications Specialist
Sahar El Helaly	Translator/Interpreter
Nourhan Al-Ayat	Operations Assistant
Lamia Bakr	Secretary/Receptionist

### **Task Management**

#### **Task 1: Mortgage Team**

Manal Shalaby	Task 1 Team Leader/Senior Financial Advisor
Amal Ezz El-Din	Senior Real Estate Finance Advisor
Lamia El Zufzafy	Regulatory and Audit Advisor
Aser Obeid	Credit Analyst and Mortgage Loan Advisor
May Sharara	Mortgage Lending Specialist
Amr Omran	Loan Analyst
Ireny Roman	Research Assistant
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
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
Ashraf Ahmed	Legal Researcher
Rehab Seif	Administrative Assistant

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

Marian S. Mishriki	Task 4 Team Leader/ Financial/Credit Specialist
Karim Hamdy	Credit Information Development Advisor
Hanaa Hanafy	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

Training Specialist  
Training Specialist  
Training Administrative Assistant

Public Awareness

Dina Osman  
Nagwan Zohary  
Nancy Amer

PA Manager  
Communications Officer  
Public Awareness Specialist