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2006 EFS FOURTH QUARTER AND ANNUAL REPORT

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
BOD	Board of Directors
BDO	BDO Khaled & Co.
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
DCOP	Deputy Chief of Party
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 project
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
EMRC	Egyptian Mortgage Refinance Company
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

EXECUTIVE SUMMARY

During the first two years, EFS made important strides to fulfill project objectives. Capacity building and strengthening key institutional partners were part of the foundation necessary to set the stage for anticipated progress in project Years 3 and 4. Legal and regulatory reforms, training programs, public awareness campaigns, and other areas of technical assistance all played their essential part.

Task 1 developed MFA's first integrated strategic plan, emphasizing short-and medium-term operational and developmental goals. In late February 2006, EFS Project engaged a short-term Regulatory Advisor (ST RA) who drafted the Manuals for Supervision and Examination Programs to help guide the MFA Industry Affairs staff into the review and implementation of the manuals and programs, and provide them with technical assistance through workshops sessions and on-the-job training during the MFA's first on-site inspection of a Mortgage Finance Company in April 2006. The second on-site examination was conducted in September 2006.

The IT infrastructure at the MFA is also fully functional and the EFS IT and public awareness teams have successfully supported and promoted the MFA's web portal and call center. The EFS Task 1 and Public Awareness teams completed and printed publications including newspaper inserts, flyers, posters, and Information Kit. These publications were developed with the objective of having a communication tool to help increase the level of understanding of mortgage finance and its related activities among the target audience. There were also a series of press roundtables, media and stakeholder events held to help educate the press and public, shape public opinion, and build awareness of the system.

The intensive and vast training programs offered through EFS Task 1 and Training teams, included programs from IT and English language training, to foreclosure training for judges to basic and highly specialized mortgage loan courses. Appraisal courses were also offered and were designed to bring together the practitioners and academic professions from the Egyptian Association of Real Estate Appraisers and the Appraisal Institute. For Task 1 counterparts alone, EFS sponsored training to 354 participants in 2006.

At long last, the GOE revised the direction of our technical assistance with Task 2 in the letter sent to USAID in July 2006. EFS is now authorized to redesign and improve the personal deed system and deploy the enhanced system in Mokattam. EFS is no longer involved in designing and implementing title registration in urban Egypt - this task has been assumed by MSAD. Task 2 has successfully completed the Training Development Center, and was a key component in realizing the fixed fee registration with its dramatically lower registration costs for small units (<100 sq. m.).

Task 3 assisted the MFA with incorporating, drafting and adopting the internal by-laws of the Egyptian Liquidity Facility or ELF, now re-named Egyptian Mortgage Refinance Company or EMRC. This secondary mortgage market infrastructure institution will provide liquidity to mortgage lenders by raising funds on the capital market. Its three major founders are CBE, National Bank of Egypt (NBE), and Guaranty and Subsidy Fund (GSF) with an authorized capital of L.E. 640 million, issued and paid-in capital of L.E. 64 million. The NFI Team also assisted in the preparation of a business plan and a private placement offering memorandum for the initial shareholders. As of September 2006, 18 banks and two mortgage finance companies had also become shareholders of EMRC, raising the issued and paid-up capital to L.E. 200 million.

Egypt's first new financial instrument, securitized bonds, was introduced with EFS assistance with the first issue in January 2006. With EFS technical assistance and training to the two issuers in their initial phase of securitizing their portfolios, the first two securitized bonds in Egypt were successfully issued and oversubscribed. Contact Securitization Company issued L.E. 140 million of bonds secured by a portfolio of car loans in January. In June, the Egyptian Arab Land Bank issued securitized bonds of L.E. 500 million, secured by a portfolio of real estate loans to a governmental real estate developer.

Task 4 has been substantially responsible for the establishment of Egypt's first established private credit bureau, I-Score, which was founded under the name of ESTEALAM. In 2006, EFS drafted a membership agreement focused on data provision and use of the credit bureau that will be signed by I-Score and its members. EFS also provided the credit bureau with action plans for banks and non-banks to support the credit bureau's recruitment and partnering with such entities. Furthermore, EFS was successful in initiating a constructive dialog with MSAD to provide national numbers to the credit bureau to ensure the accuracy of information.

A first draft of a public awareness strategy was also delivered. This included a fact sheet, design of the Web site and its technical content, messages addressing consumers and potential members, and advice on the establishment of a call center.

Several training programs were conducted successfully in 2006 in relation to the credit bureau. In January, EFS delivered a training program on the U.S. credit reporting framework. In June, a training program titled "Regulation of Credit Bureaus: The American Experience" was delivered in close cooperation with the Federal Trade Commission (FTC), the U.S. regulator of credit bureaus and the Federal Depository Insurance Corporation (FDIC), the regulator of U.S. banks. In July, two IT executives from CBE and the Chief Information Officer from the credit bureau attended a training program in the U.S. on IT security audits.

The following 2006 Fourth Quarter and Annual Report provides an update of the activities, developments and relationships developed during the second year of the project and how EFS concluded the last quarter of the year, and prepared for a busy start to the second half of the project.

INTRODUCTION

EFS is one team working together to educate Egyptians and helping to change the culture to promote improved living standards for Egyptians. As advocates for the real estate and capital markets and a vehicle for promoting responsible mortgage lending, EFS has been working to build capacity, promote sustainability, and increase awareness on multiple levels. The project strives to build communication among market players and involve counterparts to build ownership of this emerging mortgage market. EFS has served as an informational resource and been responsive in providing guidance to change laws and regulations, transferring knowledge, and exposing Egyptian counterparts to international best practices.

EFS Project Restructure

To effectively address the needs of the project, counterpart expectations and planned activities, EFS reorganized its staffing structure. Dr. Raymond Struyk was brought in as the project's new Chief of Party. Dr. Struyk's expertise has helped provide the technical focus necessary to strengthen the EFS team and relationship with counterparts, and the administrative and support teams within the project. Manal Shalaby replaced the expatriate Task 1 Leader, Melville Brown to more effectively work with the Mortgage Finance Authority, Task 2 Leader Dougal Menelaws will be replaced in January 2007 with a long-term expatriate and former EFS short-term advisor, Noel Taylor to accelerate progress in Mokattam, and Task 3 promoted Ahmed Hussein to Task Leader to lead the New Financial Instruments group. Karen Roland was also hired to manage the EFS cross-cutting teams and facilitate the finalization and maintenance of the Performance Management Plan.

The new team worked together in the third quarter of 2006 to draft a comprehensive work plan, training plan and performance management plan in consultation with key counterparts. The counterparts were pleased with this focused approach and activities planned for 2007.

Looking Ahead to 2007

With solid achievements in Years 1 and 2, the EFS team anticipates positive outcomes for Year 3. Task 1 will dedicate itself to including banks as mortgage loan originators and will work with other primary stakeholders to strengthen the primary market for long-term housing finance and increase the number of mortgages.

Task 2 will focus its resources on the redesign of the enhanced deed system and its deployment in Mokattam. Establishing the new registry office and building public awareness in the Mokattam area on the benefits of property registration will be key to the success of Task 2.

Task 3 will support the development of the secondary mortgage market by developing capital market products to raise long-term funding for mortgage lenders and to finance businesses with non-bank products.

Finally, Task 4 will continue to build the capacity of the private sector credit bureau with a big push on public awareness and training for banks on credit reports and their roles with the credit bureau. I-Score will become fully operational in 2007 with the help of implementing partner Dun & Bradstreet, and help the Central Bank prepare to regulate private information systems including the protection of consumer rights.

SECTION I: Progress Report by Task

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

A. Overview

Year 2 - 2006

EFS successfully accomplished a number of priority tasks, which enabled the MFA to develop its capacity to supervise and regulate the nascent mortgage market. Year 2 highlights include:

- EFS capacity building efforts have reached every level of the MFA. During 2006, a broad assessment of all MFA employees was conducted which identified the placement of MFA staff in the appropriate department. EFS technical assistance has enhanced the professional capacity of the MFA and its ability to fulfill its primary task as a regulatory agency for the industry.
- English-language training has been provided to selected qualified staff. Basic training has also been completed in accounting and computer skills.
- All MFA staff attended a special session of the Principles of Real Estate Financing (the MBA course) program and selected staff was included in the Mortgage Practitioner course conducted by EFS and Shore Bank. Senior management recently attended an advanced specialized course in Real Estate Financing at the Wharton School.
- Training and capacity building efforts of the EFS project included association development and mortgage loan training with the U.S. Mortgage Bankers Association (MBA) and more recently ShoreBank International. This latest course consists of a series of four specialized classes in loan origination, loan underwriting, risk management, and loan servicing developed specifically for mortgage lenders. Selected MFC officers from the two active MFCs, EI Taamir and EHFC, joined the training effort during the course development; those are also nominated to be selected in the Training-of-Trainers program to take place in January 2007. These courses are also planned to be presented by the Egyptian Mortgage Association (EMA), in cooperation with the Egyptian Banking Institute (EBI), where EMA will become the primary organization for the future delivery of these courses.
- The Mortgage Finance team completed an internal diagnostic analysis of underwriting and operations and a needs assessment, as requested by EI Taamir and supported by the MFA. With the assistance of a short-term credit advisor, a standardized operational, policies, and procedures manual as well as an internal credit manual and an audit regime to measure compliance were developed. These materials are to serve as models for all other mortgage lenders operating under MFA supervision and to be used as a guideline for banks to setup their lending policies and procedures.
- The Mortgage Finance team initiated training courses for the Egyptian Association of Real Estate Appraisers (EAREA). Developing appraisal course materials and related activities involved bringing together the practitioners and academic professionals from EAREA and the Appraisal Institute (AI) from the United States.
- Standardization and improvement of internal regulatory functions was supported, as was introduction of credit enhancement, loan guarantees, and financing liquidity programs

through the GSF and the newly-established mortgage refinance company (liquidity facility). EFS provided support for necessary legal reform that has set the stage for enhancement of the home financing sector.

- EFS developed the MFA public awareness and communication strategy and corporate identity communication materials including its logo, stationary, fact sheet, banners, and presentations. MFA exposure in the Egyptian media through press and television interviews with a wide range of business and economic journalists, as well as press releases has helped communicate the role of MFA. EFS also supported MFA in holding a stakeholder event, to which bankers, real estate developers, and media representatives were invited to learn about the development and progress of the mortgage finance market and MFA.
- MFA has been fully equipped and the basic IT infrastructure has been fully functional through support from EFS. The EFS team is working closely with the MFA to develop further refinements to database and filing systems needs related to MFA documentation requirements. The EFS IT team delivered and installed a high-level web site design and portal map to assist in MFA's public awareness efforts. The electronic Document Management System is expected to be delivered by the end of the fourth Quarter 2006.
- In early 2006, all regulatory manuals for the supervision of MFCs and examinations programs were localized in accordance with the Egyptian laws and regulations. The MFA regulatory staff is now trained to use these manuals and to implement them independently.
- MFA inspectors, with close coordination and support from EFS advisors, successfully conducted on-site examination of the two operational MFCs.

Challenges

- Expectations of the counterpart at times have been higher than what the EFS budget could accommodate, such as public awareness campaigns outside of the work plan, and expanded call center operating hours.
- Because legal reform was not encouraged during the first two years of the project (following amendments adopted in 2005), needed reforms are unlikely to occur until late 2007.
- A number of governmental entities that are not regarded as direct project counterparts play an important role in mortgage finance.
- Real estate developers provide installment financing for purchases; they are not regulated and compete against mortgage providers with distinct advantages.
- Lenders (CBE and MFA) hold a dual supervisory role.
- The impact of the Ministry of Housing, Utilities and Urban Development's role remained uncertain until late in 2006. Public sector developers are constructing and selling the established units with credit schemes financed by themselves, away from the mortgage finance and banking sector, challenging competitively with real estate finance via natural lenders.
- Egyptian banks are contributing to the real estate finance market with loan products with more relaxed terms and conditions compared to MFCs.
- Further to the above mentioned point, the CBE allowed banks to foreclose according to regulations of the mortgage finance law, hence giving banks more favorable terms to operate.
- Egyptian Mortgage Brokers generally suffer from lack of the appropriate financial background suitable for activating the mortgage finance market.

B. Activity Status

KRA 1.1 Strengthen MFA's Institutional Capacity to Supervise the Real Estate Finance Industry in Egypt

In the area of institutional development and capacity building:

- The Authority's first long-term (2005-2008) integrated strategic plan was developed by the help of the EFS and approved by the MFA's Board of Directors in August 2005. This plan emphasized the Authority's short- and medium-term goals.
- EFS capacity building touched every level of the MFA. During the second quarter of 2006, Task 1 undertook a broad assessment of employees to identify their placement in appropriate functional departments (as the reorganization unfolds) and enhance the capacity of the MFA.
- A strong cadre of professional and administrative staff now totaling some 30 people of which 25 hold responsible positions were recruited, hired and trained during the first quarter of 2006. Those are considered by MFA management as experienced professionals with regulatory and real estate financing knowledge.
- English-language training was offered to all that qualified. Basic training has also been completed in accounting and computer skills. All staff attended a special session of the Principles of Real Estate Financing (the MBA course) program and selected advisors are included in the TOT Mortgage Practitioner course conducted by EFS and Shore Bank. Senior management attended an advanced specialized "International Housing Finance (IHF) Program" at the Wharton School, University in Pennsylvania in June 2006.
- The Authority has been fully equipped and the internal IT systems (developed and supported by EFS) are operational. The systems for accounting and off-site examinations are also in place. The EFS team is working closely with the MFA to develop approaches to database and filing systems needs related to the MFA's documentation requirements Quarters 2-4. The IT team delivered a High Level Web Site Design and a Portal Map for Contents in the first Quarter 2006.

In the area of enhancing the regulatory functions of the Authority:

- In late February 2006, EFS Project engaged the Short Term Regulatory Advisor (ST RA) who drafted the Manuals for Supervision and Examination Programs in a new assignment with the purpose of guiding the MFA Industry Affairs staff into the review and implementation of the manuals and programs, and providing them with technical assistance through workshops sessions and on-the-job training during the MFA's first on-site inspection of a Mortgage Finance Company.
- EFS ST RA was located at the MFA full-time for three months during the first and second quarters and was involved in the day-to day actions at the Industry Affairs Department. Being placed at the Industry Affairs Advisor's office, he was able to give advice on the spot regarding regulatory matters. The ST RA reviewed the draft of the first MFA Directives to MFCs prepared by its regulatory staff on Asset Quality; he assisted in finalizing them to a stage where they would be issued.
- The ST RA gave Daily Workshop Sessions to the Department senior staff during the second quarter of 2006. The workshops included sessions on: Financial Intermediaries, Loan File Review, Appraisal, Credit Underwriting, Examination Work Paper (Loan File Review Example), Examination Procedures (Full-scope Examination), Supervisory

Strategy for reviewed companies, and Off-Site Supervision (Financial Statements Analysis, Business Plans and Budgets).

- In April 2006, MFA inspectors conducted their first on-site examination, accompanied by EFS ST RA. They were able to start a limited-scope examination (loan files), shift to and complete a full-scope examination at one of the MFCs. The examination was successfully concluded in 10 working days, followed by sessions on lessons learned from this experience. A report on the examination findings was developed and presented to the MFA Deputy Chairman.
- In September 2006, the second onsite examination of the other MFC was successfully conducted by the MFA regulatory team in cooperation with EFS assistance.
- During the second quarter of 2006, the ST RA also worked on Directives for Licensing New MFCs and developed a Three Years Action Plan to be implemented by the Industry Affairs Department of the MFA.
- As part of the technical assistance provided on Off-Site Inspection, the EFS ST RA guided the MFA staff towards developing the reporting system themselves, test its viability, and analyze its results. As it stands now, the MFA has established an efficient flow of data from MFCs enabling it to assess their performance and to be aware of the market status and the volume of mortgages in place.
- By May 2006, all the Regulatory Manuals for Supervision and the Examinations programs were localized in accordance with the Egyptian laws and regulations. The MFA regulatory staff is now trained to use these manuals and to implement them. The Manuals and programs address the following areas: Administration, Capital, Asset Quality, Management, Earnings, and Liquidity.
- Protocol with the Central Bank of Egypt (CBE) - In December 2005, the Task 1 team advised the MFA chairman on drafting a protocol with the Central Bank of Egypt. The protocol addressed a number of regulatory, reporting, and documentation issues including credit bureau operations. The Chairman met with the CBE Governor and developed an agreement on these issues. As a result, in Quarter 3, 2006 a Standardization Committee was formed from two representatives from the CBE and the Industry Affairs Advisor of the MFA. The committee is engaged in unifying the manuals and programs for supervising primary mortgage lenders, namely MFCs and banks. Such manuals are to be used by both regulators- the MFA and CBE. EFS will continue to provide assistance to this committee during 2007.

EFS successfully accomplished a priority task, and a huge step forward at the MFA, having developed the capacity to supervise and regulate the mortgage market, it assured market players and consumers that they are all being protected and at the same time helped in the stimulation of this new industry.

In the area of IT support:

- *MFA Web Portal and IT Platform* – During the first quarter, the EFS IT team completed the top-level design for the MFA web site. The Mortgage Finance technical team compiled the contents of the portal and reviewed the material translated.

- *MFA Call Center* – During the third quarter, EFS facilitated the installation of the Call Center and is paying the operating costs.
- During the fourth quarter, the EFS team worked closely with the MFA to develop further refinements to database and filing systems needs related to the MFA's documentation requirements.

In the area of Public Awareness:

As realized by government officials and other experts, public awareness is a core issue in this market.

- *Publications and Mortgage Consumer Booklet.* EFS Task 1 technical team and Public Awareness team completed and printed a Mortgage Consumer Booklet in 2005, in coordination with the MFA and MOI. The booklet explains the mortgage loan application process and the roles of the different stakeholders involved in the process. In Quarter 2 2006, other publications included newspapers Inserts, Flyers, Posters, and the recently developed Information Kit in Quarter 4 2006. These publications were developed with the objective of having a communication tool to help increase the level of understanding of mortgage finance and its related activities among the target audience; they are also planned to be used as a tool for opinion leaders and media to explain mortgage finance to a larger audience base.
- *Press Roundtables and Media Events.* A series of press roundtables and media events aimed to educate key business and economic reporters about real estate finance issues were organized as part of a broader media education program to help the media generate accurate and positive media coverage which is eventually targeted to assist in shaping public opinion and building awareness of the system. Media events included: a Media forum on "General Strategy to Activate Mortgage Financing" (February 2006) and Media Education Workshop (June 2006).
- *Stakeholders Event.* EFS sponsored a stakeholders event that took a form of a meeting between the MFA chairman, developers, brokers, appraisers, government officials and members of the press. The gathering was organized by the Real Estate Association Developers. The chairman briefed the attendees about the benefits of mortgage finance and urged them to sell their units in accordance with the mortgage finance law by making more use of mortgage lenders Q2 2006.
- *Media Interviews.* The PA team has been providing assistance to the MFA chairman to arrange meetings and interviews with the press. This included the PA drafting talking points to be presented to the chairman. Check PA team.
- *Call Center/Portal Promotional Plan.* EFS Task 1 technical members developed the newly established MFA portal contents; the material included important information and data related to the MFA and mortgage professionals of interest to both consumer and market players. Task 1 also developed a comprehensive list of educational Questions and Answers covering all Egyptian mortgage aspects. EFS team also coordinated work with the contracted web portal developer, where assistance included preparing a brief on web content and ensuring that the site's design complies with MFA branding. EFS team intensified work to compile technical contents for the Website, carried out the necessary translation and edit (Q2 2006).

EFS provided training and developed a Call Center/Portal Promotion Plan. EFS PA team proposed and started the implementation of a promotional plan with the MFA chairman consent. The PA team has registered MFA contacts and call center and portal on a number of free business directories in Egypt. The implementation of the plan included activities such as the Yellow pages online Ad, Ahram Window Ad (B/W) and Al Mal colored Ad, radio FM, production and distribution of stickers, free online directories listing of the MFA call center number. Check PA team.

- *Public Service Ads.* An advertisement Agency was selected by the MFA Evaluation Committee to conduct the Mortgage Finance Consumer focused campaign. Revisions to the TV ads storyboards, radio script and press Ads were done by the MFA and PA team followed up on the changes to be done. The campaign was aired in Ramadan and included two full-page press Ads in Al Ahram and Al Akhbar, 60 radio spots in El Shark El Awsat and El Shabab radio channels and 60 TV sport in Egyptian TV Channels 1 and 2 as well as Orbit Channel. Check PA team.

KRA 1.2 Required Legal, Regulatory and Administrative Reforms Promulgated and Investment Standards and Allocation Guidelines for Long-term Investments Established

At the inception of the project, a core working group was established between EFS and MFA to address issues impacting the mortgage finance legal and regulatory environment. The legal group addressed the standardization of documentation and developed a Model Mortgage Contract. It also revised the training material developed for a foreclosure seminar for judges that EFS delivered in 2006 in collaboration with the NCJS (Ministry of Justice) and USAID's AOJSII. Late in 2006, MFA called for establishing a legal committee where EFS legal advisor would become a core member. This committee is start to operations early in 2007.

Review Real Estate Legal/Regulatory Framework. Presented below are the major areas of focus in the legal and regulatory reform field:

- EFS presented a written summary of recommendations in March 2006 to improve the title and registration process. Related work involved the Core Working Group on Real Estate at the American Chamber of Commerce in Egypt.
- EFS completed a report in March 2006 on "Strengthening Egyptian Mortgage Contract, Compliance and Consumer Protection with Suggested Legislative Amendments". This report addresses the current status of document standardization, provides a list of proposed amendments to the mortgage finance laws and regulations, and provides concepts and methods for consumer protection in relation to developer installment sales contracts.
- Based on EFS input, MFA has released and the MOI has approved three standard tripartite agreements (sale, construction & renovation).

Foreclosure. An assessment of the MFA mandate was completed, with recommendations related to foreclosure procedures and regulations. Local legal subcontractor, Hassouna & Abou Ali delivered work on foreclosure issues and later made a complete review of issues relevant to the legal and regulatory framework for mortgage finance.

Disclosure issues and borrower protection. EFS team addressed issues of disclosure and borrower protection, in cooperation with the Legal Working Group and the two existing

mortgage finance companies. As a means of controlling sales installments offered by real estate developers, EFS managed to introduce relevant amendments to the executive regulations of the New Consumer Protection Law. In Q4 2006, EFS team also developed a disclosure form that was translated and forwarded to the Consumer Protection Agency for review.

Legal Reference Guide Booklet. EFS Task 1 initiated the development of this much needed booklet out of requests for assistance from mortgage lenders. The booklet addresses major concerns and most frequently asked questions about mortgage finance. Task 1 compiled a list of frequently asked questions from both mortgage finance companies (Q1 2006).

KRA 1.3 Real Estate Professions Stimulated, Industry Brought to International Standards; Other Services Developed

Mortgage Finance Companies (MFCs):

Year 2006 witnessed the licensing of the third MFC (Q4 2006), Tamweel, which is an affiliated company of Orascom Housing & Development Group. EFS advisors conducted managerial bi-weekly meetings with MFCs, to discuss operational problems and issues as initiated, although these were put on hold by the MFA Chairman toward year's end. EFS's objective is to provide short-term solutions and discuss areas of new business generation that would contribute to the growth of the mortgage market. A number of MFCs applications are also in the pipeline, including investors from South Africa, USA, Arab Emirates and Saudi Arabia.

Presented below are the major areas of assistance provided to MFCs:

- *“Needs Assessment of Mortgage Finance Companies”* – A study was conducted with the objective of reviewing the operational policies of MFCs, determining existing gaps in MFCs internal systems and processes, and identifying potential opportunities for EFS support and technical assistance. The assessment focused primarily on El Taamir and to a lesser extent EHFC. (July 2005)
- *Credit Policy and Procedures Manuals* – In view of the *Needs Assessment Report Recommendations*, EFS fielded a ST Credit Advisor who provided technical support to El Taamir Company by developing a credit policy manual and providing recommendations on amendments to the work flow and documentation as well as the company's job description development for key credit staff. The EFS ST Advisor also prepared a “generic” credit policy and procedures manual. The MFA chairman requested that EFS and MFA staff work jointly to adjust the generic version to be provided by the MFA to new mortgage lenders including banks seeking the MFA guidance in starting mortgage activities. (March 2006)
- *Legal Support, Standard Documentation and Registration* – EFS solicited MFCs views on legal issues related to the Mortgage Law and legal documentation from a lender perspective. Their major concerns were coordinated with the legal working group (refer to KRA 1.2 above). EFS Mortgage Team assist MFCs to better understand and use the adjustments and amendments made by the regulator and other governmental bodies involved in the mortgage process. With a round figure of 69% market share of MFC-originated loan amounts, EHFC's need to secure their loans through proper lein registration became crucial; fortunately, they succeeded to take-out the first mortgage finance lien recorded. Despite the fact that this is a positive step, still there is a need to efficiently secure the rest of its portfolio through the registration system. TMC faces the same problem and is requiring other collaterals from borrowers. EFS plans to address these issues in 2007 through the legal committee with the MFA.

- *IT Support for MFCs and EMRC* - The three MFCs and EMRC expressed the need to have specialized Mortgage lending software to be used as a core engine. In November 2006, EFS developed a questionnaire to collect information about software companies, systems' functionality, as well as estimated costs and coordinated to have several Mortgage Software vendors introduce their software packages to MFCs in presence of the MFA. The vendors engaged in the presentations were:
 - Harland-Phoenix (USA-Kuwait)
 - Misys (UK-Dubai)
 - MortgageFlex (USA-Turkey)
 - I-flex (India)
 - Finantex (Italy)

In 2007, these organizations plan to jointly issue an RFP for a system tailored to their needs.

- *Training* - As mortgage finance is a new industry to the Egyptian market, the creation of well-trained calibers were essential. In June 2006, EFS reintroduced the MBA primary mortgage course and arranged to develop and introduce advanced courses on Loan origination, loan underwriting, loan servicing and risk management in cooperation with ShoreBank International in September 2006. EFS coordinated with EBI to introduce a certification program for loan officers.
- *Public Awareness* - This will be done through a communication committee.
- *Mortgage Products* - In 2006, TMC introduced more products suitable for Egyptians working abroad and foreign expatriates as they are expecting potential business from these niches. TMC also plans to launch a product for Senior Citizens in partnership with their children, in order to avoid the risk of the client's death without having a life insurance policy on his life. In this regard, EFS in December 2006 completed a concept paper on various mortgage finance products used worldwide. In 2007, further research will be conducted to introduce products that could be feasible to the Egyptian market and are *shariaa* compliant.

Banks as Mortgage Finance Lenders:

In February 2006, EFS Task 1 updated the marketing plan for banks to promote EFS-related services to the industry such as training and documentation; this plan was originally drafted in Dec. 2005. EFS prepared the plan in order to assist the MFA engage banks in the mortgage market and, ultimately, generate volume lending in the sector. The marketing plan includes a list of banks involved in the mortgage industry, as well as banks interested in starting a mortgage finance division. However, this plan was slowed down by the MFA Chairman.

In October 2006, a joint Task Force was established between EFS and MFA for the purpose of including commercial banks in the mortgage lending process. EFS drafted a presentation for the MFA Chairman as a start of the joined efforts to approach banks.

Professional Associations

EFS Mortgage Team initiated a number of links with associations and real-state related institutions. Institutions contacted include: Associations (Egyptian Mortgage Association, Egyptian Mortgage Brokers Association, Egyptian Real Estate Association, Egyptian Association of Real Estate Appraisers, Egyptian Banking Association, and Egyptian Young Bankers Association) and Academic Institutions (Cairo University, American University in Cairo and Egyptian Banking Institute).

- *Initial Diagnostic Analysis.* In Quarter 1 EFS reviewed association constitutions, membership, and program. EFS requested the following items from each of the associations to facilitate this analysis: Articles of Incorporation, By-laws, other founding documents, a list of Board of Directors with contact numbers/e-mail addresses a list of current numbers with contact information, a list of current organizational needs and a wish list either in terms of physical items, technical assistance, or potential financing agreements.
- *Technical Assistance to Associations.* In order to provide much needed training in the areas of mortgage finance and appraisal, EFS twinned these respective associations with two internationally recognized training providers: the *Mortgage Bankers Association and the Appraisal Institute*. To further strengthen the associations, EFS introduced an association development plan that provides uniform assistance to targeted associations. EFS focused on assisting the associations to develop a strategic plan, hire full-time staff including an association executive manager, organize events, and develop membership development and communication plans. Workshops for association BODs conducted by a U.S. association development specialist were conducted in March 2006. The series of workshops assisted the associations to prepare and complete associations' strategic and business plans. In December 2006, a short term local advisor was engaged to provide an update on the status of the associations with respect to implementing their business plans.
- *The Egyptian Association for Real Estate Appraisers:*
 - *General Secretary of the IVSC - EAREA's* application for membership in the General Secretary of the IVSC was accepted. Membership was supported and recommended by EFS appraisal consultants.
 - *Egyptian Appraisal "Code of Ethics"* - prepared by the association and approved by the MFA was encouraged by EFS as well as ways in which this achievement would impact the industry.
- *Association for Real Estate Brokers.* EFS worked to coordinate with real estate professionals to establish an association that represents and serves realtors, brokers, and developers.

Professional Training

EFS engaged the Mortgage Bankers Association (MBA) and the Appraisal Institute (AI) to carry out assessments of training needs and local association capacity in their respective professions. In 2005, the Appraisal Institute completed and delivered a report, "Real Estate Appraisal Training: Assessment of Current Conditions and Recommendations for Egypt". The Mortgage Bankers Association completed a report, "Mortgage Bankers Association Report on Training and Potential Training Partners and Association Review". Based on the reports' findings and recommendations, EFS initiated the development of training programs for appraisers and mortgage lenders.

Appraisal Training:

- EFS coordinated the twinning of the Appraisal Institute and the Egyptian Real Estate Appraisal Association to develop localized Market Analysis, Highest and Best Use, and Case Study curriculums. Also completed was a review of the International Valuation Standards, Code of Conduct, and Appraisal Institute Code of Ethics. Appropriate sections were incorporated into Egyptian Standards and Code.

- The presentation of five Appraisal courses took place during March 2006. Some modifications to some of the material were done by the Appraisal Institute (AI) instructors, according to the feedback received from the participants and their own evaluation of the localized material. Further changes will be made by local short-term experts nominated by the AI instructors to carry out this task.
- An assessment matrix of the five courses developed by EFS in cooperation with the Appraisal Institute in Chicago, versus the Cairo University licensing courses, was developed by the training team and presented to the Mortgage Technical team for their review and analysis. This step was done in order to provide a clear understanding of the areas of collaboration between EFS and Cairo University with regards to providing a high quality appraisal licensing curriculum to be approved by the MFA.

Housing Finance Companies and Lenders Training:

- Another round of the “Egyptian Primary Mortgage Market” course was held at the EBI from March 12 – 16, 2006. EFS team met with the local instructors in April 2006 to discuss lessons learned, update the materials, and planned for the next round of training.
- The “Egyptian Primary Mortgage Market Condensed Course” was also delivered in Arabic to the MFA staff from June 11-15. The course was attended by seventeen participants.
- *ShoreBank International (SBI) Training Course*
 - The “Loan Origination” and “Loan Underwriting” courses took place in late June and early July and were held at EBI premises. The course was instructed in English by the SBI instructors, the same instructors that have also been working with the EFS team on the course development. Attendees who participated in the two raining courses were around twenty for each course.
 - Phases 3 & 4 of the ShoreBank Training Course were completed successfully in September 17-21, 2006. The course was attended by 21, 13 of which had already attended the previous two courses on Loan Origination and Loan Underwriting. Several comments and notices were recorded for further enhancement of the course and the material. These have been worked on and incorporated into the course after delivery.
 - Due to SBI trainers schedule, the Training-of-Trainers session has been postponed from Q4 2006 to January 2007. It has also been scheduled that the SBI team will reassess the Loan Origination and Loan Underwriting courses and considers merging them in one course.
- *Protocol with EBI:* EFS has coordinated efforts with EBI to include both the MBA and the ShoreBank programs throughout the 2007 calendar year.

KRA 1.4 Stable Term Funding Established and Loans Originated.

Mortgage Loans Database. In order to accurately track mortgage loans processed to date and track growth in the sector over the life of the project, Task 1 developed a database to capture the number of mortgage loans processed, and from which institution (Q1-Q4). The database, as it further develops, will also track other pertinent data. EFS also developed an action plan for MFA to post statistical data on its portal website. Movement on these ideas awaits MFA action.

Credit Enhancement, Guarantees and Liquidity:

- Through the efforts of the MFA, in cooperation with the World Bank and the EFS project, the Egyptian Liquidity Fund (ELF) has been established. The fund has been formally incorporated as the Egyptian Mortgage Refinancing Company (EMRC) to serve as a

refinancing window as well as market maker and a long-term funding source for mortgage lenders. The initial capitalization for this fund is LE 200 million with the CBE owning 20% of the shares, the NBE 10%, and a consortium of 22 private and public financial institutions joining to invest in the balance. In Q1 the Mortgage Finance team conducted a Market Overview to be incorporated into the Offering Memorandum of the newly established Liquidity Facility Company. The team also prepared comprehensive and persuasive talking points for the MFA chairman to use in the launch event reception held at the Ministry of Investment (MOI) premises which the Minister of Investment hosted. These talking points encouraged banks to participate in the mortgage market in specific, and EMRC in particular. As MFA was to oversee and regulate EMRC, EFS Mortgage Finance brought in experienced ST Regulatory Advisors to begin the development of supervisory guidelines for the facility.

- EFS sponsored a workshop in December 2006 on “Alternative Secondary Market Structures” that was offered by a Senior Member of the Office of Supervision of the U.S. Office of Federal Housing Enterprise Oversight.
- EFS developed Terms of Reference for a demand survey to meet the Cabinet’s request that a nation-wide study be undertaken to confirm if sufficient demand for affordable units exists and determine the geographical areas to be targeted.
- Mortgage Team developed talking points on mortgage insurance and title insurance for the MFA chairman.
- Another concept paper was developed on types of escrow accounts.

Mortgage Insurance. A joint committee on Real Estate Investment Funds, including members of the MOI, Insurance Authority, and MFA meets regularly. It was requested to draft a paper on Mortgage Insurance. EFS technical team prepared a comprehensive document for the MFA chairman upon his request on Mortgage Insurance including preconditions, comparative analysis for international models, and premium calculation according to each model. The document also included studies on Title Insurance, and Homeowners Insurance.

Mortgage-backed Securities. The Task 1 and Task 3 teams coordinated to address issues related to the introduction of asset-backed securities. As a result, EFS provided technical assistance to the Egyptian Arab Land Bank with respect to the issuance of the first mortgage-backed security issue in Egypt.

The Guarantee and Subsidy Fund –

- EFS delivered several products including a six-year cash-flow projection for the GSF, a “Recommendations Paper” that includes a description of the Affordable Home Production Program, with a list of comments, questions and recommendations that were intended to stimulate discussion among the GSF and other policy makers putting the presidential housing program together.
- An “Options Paper” was presented among the deliverables made by the Affordability Consultant. The MFA chairman and his deputy built on the model developed by the Short term consultant and gave a presentation to the Prime Minister on the 500,000 units related to the presidential campaign. This work is in support of a GOE plan for the GSF to create 500,000 new affordable homes within six years.
- *GSF Ceremony* - Task 1 was invited by the MFA to the Ministry to celebrate transfer of 300 units and mortgage contracts to low-income buyers. The ceremony was attended by the MFA chairman, MFA deputy and Board, the National Bank of Egypt

chairman and TMC chairman. TMC and the NBE are the two institutes financing the mortgages of this program.

Real Estate Credit and Investment Program. Four of the Task 1 team members were nominated to attend a course in Turkey on Real Estate Credit and Investment. The course was organized by the Arab Academy. Special permission was received from USAID to fund this trip since the Task 1 team's attendance enhanced their knowledge to help meet the project's goals.

Real Estate Investment Funds –

- Upon the MFA chairman's request, EFS team prepared research papers introducing Real Estate Investment Funds. The papers covered the different funds types, structure, strategies, risks, and advantages.
- A power point presentation was also developed outlining what investment funds are, how they operate and how they are regulated. The presentation also covered real estate investment vehicles, types of real estate investment funds, Real Estate Investment Trusts (REITs), investment policies applied by such funds, advantages of such funds and their relevant risks. A comparative analysis was also included on how such funds are being regulated in a number of regional Arab and other developing countries. A couple of slides were included on the prevailing legal framework governing the establishment of such investment funds in Egypt.
- *Presentation on Real Estate Investment Funds at the CMA* - Upon a request made by the CMA chairman, the Task 1 leader provided a presentation on Real Estate Investment Trusts (REITs).
- EFS technical team prepared a concept paper for the CMA chairman on advantages of real-estate investment funds versus traditional real-estate investment companies or real-estate developing companies and how real-estate funds would be taxed in Egypt under the existing tax regulations.
- *REITs Presentation in Bahrain* – Upon the MFA chairman's request, EFS team developed a PowerPoint presentation for use at an upcoming conference in Bahrain on REITs in the region. The conference tackled growth of Islamic Finance and Real Estate in the Arab world. This exercise entailed extensive research on Islamic Finance and Islamic Mortgage as well as Islamic Funds especially Real Estate Investment Funds.

AmCham Real Estate Committee – EFS advisors contributed to AmCham Real Estate Committee and attended discussions that centered around the goals and a basic work plan for the committee for 2007.

World Bank Conference on Housing Finance in Emerging Markets, March 14-19, 2006 -

The Training team worked very closely with USAID and Ministry of Housing for Ms. Laila Darwish, Advisor to the Minister of Housing to attend the World Bank Conference on Housing Finance in Emerging Markets in Washington, DC with our CTO.

Mortgage Conference by Arab Academy - Members of Task 1 attended a two-day conference "Removing the Obstacles to Residential Mortgage Finance in the Arab World" sponsored by the Arab Academy of Banking and Financial Services Volunteer Corporation (FSVC). A wide range of topics were presented and extensive question/answer periods focused on Egypt-related issues (a full agenda is available). Talking points were prepared for the MFA Chairman covering regulatory and supervisory issues.

Regulators' Workshop - The Regulatory Advisor and EFS staff delivered brief workshops to Industry Affairs Advisor and staff at the MFA on financial intermediaries and discussed important issues in their regulation, focusing on mortgage finance companies (MFCs). Q2

KRA 1.5 Enhanced Capacity of Courts to Mediate/Adjudicate Real Estate Lending (enforce foreclosure)

Foreclosure Workshop. A foreclosure workshop for judges was held on May 23-25, 2006, co-sponsored by EFS, the MFA, and National Center for Judicial Studies (NCJS) of the Ministry of Justice (MOJ). The purpose of this workshop was for Egyptian judges to be introduced to the new foreclosure law under the mortgage finance law. Twenty one judges attended the workshop as well as representatives from USAID, the EFS COP and Administration of Justice Support (AOJS). Both the MFA and the NCJS were very satisfied with the workshop. More are planned in Alexandria and other districts.

EFS in cooperation with the USAID-funded AOJS II project explored training plans for new judges, economic panelists and executive judges. Workshop for judges in the Real Estate Finance Law and foreclosure provisions are planned to start in January 2007.

ST Legal Advisor assessed foreclosure provisions under the current Real Estate Finance Law and the Civil Code.

C. Required Deliverables Status

The EFS contract lists 14 distinct deliverables¹ for Task 1 under the general performance indicator of “establish the supporting framework for the real estate financing industry.” The following section discusses the current status of these deliverables and EFS-planned activities to achieve further progress over the remaining project term.

1. Develop appropriate forms for real estate finance in support of loan origination.

This deliverable is complete. Two concept papers were completed (in December 2005 and March 2006). They addressed the current status of document standardization, detailed specific deviations from the REFL among the MFCs and retail banks, and recommended resolution of the divergence between the law, standardized contracts, and actual lending. In 2006, the MFA issued standardized mortgage finance contracts to be used.

However, many complaints by practitioners on the limitations of the current loan documentation have arisen as they have been tested in the market. For example, there are a number of operational impediments in the tri-partite loan agreement that should be adjusted. The project intends to devote considerable technical assistance effort during this next year in the further review and recommended revisions to the loan documentation currently in use in an attempt to achieve a better level of standardization of documents (a necessary prerequisite for the creation of secondary market instruments) and a greater degree of flexibility in the loan terms that can be offered by lenders. The project also aims during Year 3 to develop in conjunction with the MFA, lenders, and the newly establish liquidity facility minimum quality standards for loan origination.

¹ During the planning session for the year 3 work plan, deliverable 2: *Establish the framework for professional property surveyor industry*; was reclassified to Task 2 and deliverable 8: *Study and recommend changes or refinements to the legal and regulatory framework for financial intermediaries to act as trustees and servicing institutions for real estate backed securities*, was reclassified to Task 3. This leaves 12 deliverables for Task 1.

2. Establish the framework for professional property surveyor industry.

This deliverable has been reassigned to Task 2.

3. Develop and implement an in-country training program for real estate professional(s) including real estate property brokers (sales agents), real estate finance brokers (mortgage brokers), valuers (property appraisers), and property closing specialist(s) (foreclosure agents).

This deliverable is mostly complete. To date, the EFS project has developed and delivered three in-depth training courses for the benefit of real estate professionals cited in this deliverable as well as lending officers working in the mortgage finance sector. During 2005, the project completed the fourth round of training for real estate professionals, principally mortgage lenders, under the MBA-designed *Principles of Real Estate Lending* program. A fifth round was conducted in Arabic by local trainers who were trained by the MBA instructors.

Additionally, the project has developed a second course series for mortgage lenders in cooperation with Shore Bank International on the subjects of *Loan Origination and Loan Underwriting* and *Loan Servicing and Risk Management*. The first sessions of this course were presented in June and September of 2006.

Training programs for Real Estate Appraisers have been developed, localized and delivered in cooperation with the Appraisers Institute of the United States in May 2006. A training of trainers (TOT) program was also developed and conducted. During Year 3, project emphasis under this deliverable will be placed in working with the MFA to improve the licensing procedures for appraisers, mortgage brokers and foreclosure agents.

Currently, real estate brokers (sales agents) are not licensed or regulated. Changes in this area are not considered a top priority of the project during Year 3. Nonetheless, project staff plan keep abreast of changing market conditions and opportunities to provide technical assistance in the future through active participation in the real estate sub-committee of the local American Chamber of Commerce.

4. Review the implementing regulations to the Real Estate Financing Law of 2001 and other related legislation and regulations to determine whether clarifications are needed in the standards and procedures for execution and foreclosure.

This deliverable is basically complete. EFS worked closely with the MFA and presented recommendations on amendments to the Executive Regulations of the Real Estate Finance Law. This effort was incorporated into the amendments issued by the Prime Minister in March 2005.

The law was also reviewed and EFS produced two reports in December 2005. The first, titled "Review and Analysis of Foreclosure & Real Property Law," provided a list of proposed amendments to the mortgage finance laws and regulations in a narrative form that can be drafted more specifically by local counsel. The second report was a concept paper, "Legal Support to Improve Mortgage Financing in Egypt: Analysis and Recommendations," that suggested a mechanism for the release of individual apartment units from developer financing agreements. In September 2006, a protocol was finalized between the MFA and the new urban communities to allow for partial, i.e., individual unit, registration.

EFS has developed and delivered working sessions and training courses to clarify standards and procedures with regard to foreclosure. The foreclosure workshop was delivered at the NCJS in May 2006 and the next iteration is planned in December 2006.

Further work is justified in the advancement of higher benchmarks in document standardization, execution of lending standards, and implementing regulations. Task 1 will continue with assistance in this area with additional training and outreach programs developed for the public.

5. Recommend appropriate laws and regulations to provide standardized protections for borrowers administered by the appropriate GOE entities for mortgage and consumer loans to the household sector.

This deliverable is partially complete. An EFS report titled, "Strengthening Egyptian Mortgage Contract Compliance and Consumer Protection with Legislative Amendments," was drafted in early 2006. The Year 3 work plan includes the development of consumer protection standards, adaptation of international standards for disclosure in loan documentation, public awareness, and assistance to regulators on specific regulatory requirements.

6. Develop public education program for home buyers established to encourage informed choices on the use of real estate loans and to avoid future delinquency problems.

This deliverable is partially complete. In cooperation with MFA, the project has developed a multi-faceted approach to public awareness for the acquisition of housing through long-term mortgage debt and has published a variety of materials under the general theme of "Own Your Home" that promote the principles and benefits of mortgage-based financing for home buyers. On a direct level, the project has established a web portal and call center for MFA and published an information kit with fact sheets to be distributed to the public through lending institutions. The project has also sponsored media education events and press forums to engage the print media in this, further promoting mortgage financing. EFS has also contributed to the design and production of an educational national campaign on mortgage finance. This deliverable will be a primary focus in Year 3 of the project. A follow-up consumer behavioral survey will be conducted to further tailor the planned approach.

7. Establish an association for real estate brokers established and a multiple listing system developed that would track real sales values as a basis for market valuation of real estate property. Provide support for establishing training programs for real estate brokers.

This deliverable is not complete. The Egyptian Real Estate Brokers Association (EREBA) was established in February 2006 for real estate broker professions. In February 2006, EFS sponsored an Association Board Orientation Workshop on latest trends and techniques in association governance and management, where board members from all professional associations (EREBA, EAREA, and EMFA) attended and actively participated. EFS consultants worked with the directors of each association to develop business plans and start-up budgets. However, at this time, market conditions make the establishment of a multiple listing service among real estate agencies conspicuously premature. The EFS project staff will be engaged in work related to this deliverable during 2007 by exploring market interest and readiness of real estate brokers to share and exchange information. In the meantime, project staff is joining the American Chamber of Commerce in Egypt with the intent of becoming actively involved in such issues.

Currently, real estate brokers are not regulated by the MFA; however there are over 200 licensed mortgage brokers who require extensive specialized training. In that respect, EFS plans to shift its focus in Year 3 and provide more technical training programs to mortgage brokers, rather than to real estate brokers.

8. Study and recommend changes or refinements to the legal and regulatory framework for financial intermediaries to act as trustees and servicing institutions for real estate backed securities.

This deliverable has been reassigned to Task 3.

9. Provide recommendations on structuring of the Payment Guarantee Fund, specified in the Real Estate Financing Law, so as to minimize potential adverse impacts upon the development of a real estate financing market.

This deliverable is nearly complete. EFS completed a review of the GSF structure and drafted a report titled "GSF Goals, Options, and Recommendations" in December 2005 and investigated what adverse impact its operations could have on the mortgage market. Based on EFS recommendations to MFA, the MFA, in its capacity as Chairman and Managing Director of the fund, has begun to reorganize GSF operations and guarantee programs. This reorganization, which is essentially splitting the fund into two distinct components, subsidy and guarantee, has led to further direct requests by MOI and MFA for continued technical assistance from the project, which will lead to the fulfillment of this deliverable.

In Year 3, EFS staff will be intensely involved in the restructuring of the GSF, particularly the guarantee component, in such matters as identifying the true cost of the guarantee program and advising on legal amendments to the current presidential decree on Fund's mandate.

10. Study and recommend changes or refinements to the legal basis for homeowners' associations and legal enforcement of association agreements.

This deliverable is not complete. The development of homeowners' associations with a clear legal basis for the establishment and enforcement of their by-laws, can only become a priority activity for EFS when pending legislation in this area has passed the People's Assembly. The necessary framework legislation for requisite laws is not realistically expected to be in place before Q3 of 2007.

11. Develop and advise homeowner groups on operational approaches for the maintenance and repair of common areas, to avoid erosion of values of individual dwellings through dilapidation of those areas.

This deliverable is not complete. Engagement in this area is highly dependent on pending legislation that is not expected to be in place much before the end of 2007. Consequently this deliverable, as with number 10 above; is not a priority activity in the Year 3 work plan. Once the law is passed, EFS plans to organize "demos" to show examples of international practices.

12. Study and recommend changes or refinements to regulatory structures, policies and procedures for real estate lending to conform to international best practices for real estate lending.

This deliverable is complete, although further assistance will be provided in 2007. In 2005, the EFS initiated an intensive Regulatory Development Program for MFA. A detailed assessment of the adequacy of the MFA regulatory structure identified significant gaps and recommended a planned program for development and solutions. A series of operations manuals for supervision and examination of MFCs were developed for the MFA, in accordance with international best practices and standards. These manuals were then "localized" to fit the Egyptian market. Aside from ongoing technical assistance, EFS provided assistance with the first two on-site portfolio examination and operational inspection of both MFCs. EFS also supported the development of the capacity of MFA staff to manage and implement the recommended regulatory regime through participation in direct training programs (the Wharton Program) and observational study tour participation in industry-related international conferences (International Union for Housing Finance). For 2007, EFS is planning to continue efforts in this area and expand the assistance to the second line of the MFA Industry Affairs Department with workshops, on-site examination techniques, etc. EFS plans to assist the MFA in establishing MQS for mortgage loans to be applied by the newly established liquidity facility.

13. Develop a multiple listing service for real estate brokers.

This deliverable is not complete. The creation of a multiple listing service (MLS) among real estate agencies in Egypt is also a concept ahead of current market realities. The current state of operations and competition among practicing real estate agents and brokers in Egypt is such that many brokers have clearly stated their objection to the establishment of any multiple listing system.

14. Assist MFA and the Central Bank of Egypt to expand prudential supervision to include real estate finance institutions, both non-deposit taking and those that are authorized to take time deposits from the public.

This deliverable is in progress. Direct technical assistance in the area of prudential supervision of real estate activities has started in 2006, by the establishment of the "Unification Committee" between MFA and CBE. The first task undertaken by the committee is to adjust the supervisory and regulatory manuals developed by MFA, in conjunction with EFS, for non-deposit lenders and make the necessary adjustments to ensure that the manual covers lenders from the banking sector. EFS is coordinating efforts and providing the necessary support to MFA members of the committee. In year 3, EFS intends to coordinate with CBE to ensure standardization of their regulatory guidelines that specifically impact real estate-related transactions. This would include developer construction financing, as well as individual home purchase mortgage lending. EFS will also conduct a bank-specific needs assessment that will allow for greater regulatory and government support for their strategic entrance into the mortgage sector. As such, the Year 3 work plan includes the implementation of a strategy to identify and build relationships with key decision-makers within the banks and to introduce mortgage-base financing products and services to the Egyptian banks. This effort will be coordinated with management of CBE and communicated regularly to MFA to ensure continued harmonization among stakeholders.

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

A. Overview

Year 2 - 2006

Year 2 saw a major change in policy direction for Task 2. With the advent to prominence of MSAD and the National Urban Title Registration project; EFS was re-directed to focus on the redesign and improvement of the personal deed system (*Siguel El Shaksi*).

Significant progress has been achieved to date, both on the policy reform front and on operational policy. These include:

- *Affordable registration fees.* The passage of Law No. 83/2006 in late May, 2006 instituted an affordable, reduced tier fee structure for registration not to exceed L.E. 2000. The fee for small units, those under 100 square meters in floor space, is L.E.500. Subsequent to the passage of the Law, the Minister of Justice issued Decree No.5424/2006 in August 2006 detailing how fees will be assessed and applied by registry offices. EFS played a major advocacy role in promoting this policy decision to lower the cost of registration and make registration affordable. This topic was heavily featured in the EFS Inception Report dated June 2005 and conveyed in a number of subsequent workshops. That report and related follow up meetings with senior MOJ officials clearly influenced this favorable policy outcome. Effective May 2006, Parliament passed an amendment to the law instituting a tiered structure of fees for property registration based on floor area with a maximum fee of LE 2000 and a minimum of LE 500, based on unit size. In August 2006 MOJ promulgated an executive regulation that implements the law amendment.
- *Creation of the National Urban Registration Project.* Another prominent initiative was the decision to create and fund the National Urban Registration Project under the auspices of MSAD. This represents the first serious commitment by the GOE to improve urban registration in decades. The first phase consists of nine urban districts in Greater Cairo and includes high growth residential areas in new communities such as Sixth of October, Sheikh Zayed and New Cairo. EFS reports and workshops during 2005 and 2006 highlighted the need for this type of investment in property registration and policy action at the national level. The GOE has clearly responded. The bid was won by IBM Egypt early July 2006 and the contract was signed end of September same year.
- *EFS assigned responsibility for the enhanced deed system.* In July 2006, EFS was directed by MSAD after consultation with both MOJ and ESA, to redesign the personal deed system, convert all records to a parcel based index, automate registry operations, and deploy the system in Mokattam and possibly later in Shobra El Khema

It is important to note that this represented a very major change in project orientation. The districts assigned to EFS were changed as well as the type of system to be implemented—enhanced deeds vs. title. This change had significant impacts on the timing of actual system implementation.

It is worth noting that the personal deed system is operative in all urban areas throughout Egypt and encompasses a network of 119 registry offices. EFS is now an integral partner

and component of the National Urban Registration Project. The premise by the GOE is that there is real merit and cost savings in improving the deed system. This measure will provide flexibility in the timeframe to introduce title registration. Given the high initial cost of investment required to create systematic, compulsory title registration, an improved deed system offers insurance and assurance of an alternative robust system at lower cost that meets the registration needs of the public and lenders.

- *One-window registry office.* Both MOJ/REPD and ESA have agreed to adopt and implement a one-stop registry office in Mokattam as a prototype. Personnel from REPD, the notary public office, and ESA will be trained on the new system and duty stationed in one integrated registry office.
- *Tangible deliverable: REPD Training Development Center.* EFS designed, funded, and established a state-of-the-art Training Development Center for use by REPD. The facility is located in the Okasha building owned by MOJ and became operational in November 2006. EFS is now preparing a training curriculum and modular series of training courses in close consultation with REPD.
- *Critical analyses, reports, and workshop.* EFS completed a detailed business area analysis report for both the deeds (Law 114/1946) and title system (Law 142/1964). The deed system remains operative, but underutilized in urban areas, whereas title registration has been applied in agricultural areas with mixed results since 1976. Technical workshops with our counterparts to review report findings and recommendations were held in 2005 and 2006. EFS also completed a business process reengineering report for the title system. No reengineering of the deeds system was undertaken in compliance with MOJ's initial policy directive (subsequently revised) for EFS to focus on title registration. EFS is now finalizing a business process reengineering report for the improved deed system. Finally, EFS completed its data acquisition and prototype survey of six blocks located in Nasr City and Maadi. The prototype survey tested a number of surveying methodologies to determine the most cost effective method for the preparation of cadastral index maps and building unit plans. (Prototype and Data Acquisition Reports: December 2005)
- *System requirement specifications.* EFS prepared system requirement specifications for automated applications, together with specifications for hardware and software platforms for the title system. These reports are now being used by MSAD in the system development of software applications for title registration. (December 2006)
- *MSAD Workshop* - EFS organized and held a one-day Technical Workshop on February 27, 2006 aimed at informing Eng. Emad Hassan, Project Director, the National Urban Registration Project, MSAD of EFS progress to date. Team members made several presentations highlighting key recommendations on reengineered business processes for the title registration system, administrative and legal reform, current and proposed EFS procurement, functional requirements specifications for the automated title system, training proposals, public awareness, outreach and education strategies and recommended technical approach for first registration. The workshop concluded with an open forum discussion on how EFS can support MSAD and Eng. Emad Hassan in designing and implementing the national urban registration project. The workshop afforded an opportunity to both EFS and USAID to learn more about MSAD objectives and planned approach to implement title registration in urban areas.

Challenges

- Policy, legal and regulatory reform and implementation are impeded by the absence of a committee to coordinate policy review on a project-wide basis. Such a committee is essential given that EFS faces a multi-agency, multi-task environment.
- Project staff members continue to build relationships with the Ministry of Justice, REPD, ESA, and registry office staff. Effective implementation can only occur if EFS staff has day-to-day access to REPD staff and registry office records.
- Inflexible procurement regulations occasionally lead to time-consuming responses to bona fide equipment requests, and other delays in procurement and delivery.

B. Activity Status

Note: GOE revised the direction of our technical assistance in the letter sent to USAID in July 2006. EFS is now authorized to redesign and improve the personal deed system and deploy the enhanced system in Mokattam. EFS is no longer involved in designing and implementing title registration in urban Egypt - this task has been assumed by MSAD.

KRA 2.1 MOJ and ESA Establish Strong Working Relationship and Commitment to Improve the Registration System in Urban Areas

2.1.2 Identify GOE Objectives and Priorities for Urban Registration

Selection of EFS locations for New Registry Offices - Task Leader Menelaws attended and prepared materials for three meetings hosted by the Mortgage Finance Authority (MFA) with USAID and Eng. Emad Hassan, Project Director, the National Urban Registration Project, MSAD. The meetings were to review and seek approval for EFS to commence operations to establish a model registry office in the Sixth of October, a favored rapid residential growth location. The initial meeting was held May 15 and resulted in a request to EFS to prepare a document identifying the steps, deliverables and timetable to implement a model registry office in the Sixth of October. EFS prepared a document entitled “*EFS Operations and Resource Plan*” that was submitted and presented at the MFA meeting on May 24.

EFS prepared additional materials in both Arabic and English to include a “*Joint Declarative Statement*” for signature by Chairman Saleh, MFA and Eng. Emad Hassan, MSAD endorsing the EFS Work Plan and enabling EFS to commence operations in the Sixth of October. These materials were disseminated prior to the meeting.

Final Approved Locations - Task Leader Menelaws met with Laila Darwish, Advisor to Minister for International Relations from the Ministry of Housing Utilities & Urban Development (MHUUD), on June 20 and 27 to review registration issues to include selection of locations for EFS deployment of the improved personal deed system. The primary result of the meeting was that October 6 had been determined not be a district where EFS would work.

EFS prepared a rapid assessment of potential locations that lie outside the nine locations set aside for implementation by MSAD for title registration. Top-ranked locations by EFS were El Obour and El Mokattam. These were presented and discussed directly with MHUUD, and MFA Chairman Osama Saleh was notified in writing. MHUUD supported both proposed locations. Task Leader Menelaws, together with Mr. Tarek Wahby, QSIT General Manager, met with Emad Hassan, MSAD, on June 28 to seek approval/ confirmation of the EFS top-ranked locations. Emad Hassan agreed to El Mokattam but offered Shobra El Kheima as a compromise proposed by MoJ for the second location. Emad Hassan met with USAID CTO Paul Bruning on

June 28 and verbally confirmed this development. Later, Emad Hassan met with Counselor Awad who agreed on Mokattam as a location for implementing the improved deed system along with Shobra El Kheima. An official letter authorizing EFS to proceed with the redesign of the personal deed system, automation of applications and initial deployment of the improved deed system in Mokattam was sent by MSAD to USAID on July 11, 2006. This authorization constitutes the basis for our revised work plan.

Signatories Added to the USAID Project Agreement - Task Leader Menelaws attended two USAID requested meetings on May 2 with Chairman Hisham, ESA and May 4, 2006 with Counselors Awad and Mamdouh (MOJ) respectively. The meetings afforded an opportunity for USAID to update counterparts on recent meetings/ discussions with the Ministers of Housing and Investment. USAID informed Chairman Hisham that the Minister for Water and Irrigation will be formally added to the USAID Project Agreement with the Government of Egypt.

2.1.3 Identify, Confirm and Evaluate Existing Technical Processes for both ESA and MOJ

A number of initial assessments by the EFS Task 2 Team were completed during 2005. Existing business processes for title registration were derived from visits to Real Estate Publicity Departments (REPD) and ESA offices involved in GOE's rural titling registration program. With this activity is completed, Task 2 concluded, and counterparts agreed, that a major redesign of administrative processes, supported by revised or newly implemented regulations, was the best approach going forward. These issues were presented and reviewed with counterparts in a two-day technical workshop held at the Pyramisa Hotel and at a later workshop with MSAD in February 2006.

2.1.4 Carry out a Preliminary Assessment of Capacity Building Requirements for each Agency

Preliminary assessment of staffing levels at district operating level for both REPD Registry Offices and ESA offices was contained in our Inception Report (June 2005). Because registration remains unpopular with the public, existing Registry Offices have very low work volumes and are underutilized. However, with the advent of the MSAD National Urban Registration project we predicted the need to recruit and train new REPD staff to deploy in the nine new registry offices being implemented by MSAD. ESA has no staffing shortages and has a complement of around 10,000 personnel distributed between its main, provincial and district level offices. Significant restraints on new procedures for both title and deed systems have been identified. EFS has prepared training curricula and training course materials for both ESA and REPD to support the reengineered business processes and the outsourcing of property index maps to private contractors. To assist REPD in capacity building and training EFS designed and delivered a fully equipped state of the art training center in the Okasha Building located in Dokki, Giza. The facility became operational in November 2006. In 2007, EFS will upgrade ESA's existing training center with the installation of approximately 20 additional computers and a network server.

2.1.6 Assess Regulatory and Legal Changes Necessary to Support Registration

Justin T. Holl, Jr. – Senior Property Rights Registration and Legal Specialist -- prepared a draft regulation on divided co-ownership of immovable property that address issues raised in an earlier report. The draft regulation improves and better defines the relationships among owners as well as delineates the rights and obligations of owners and developers of apartments and apartment projects, and provides options for more flexible administration of divided co-ownership. The regulation regularizes how land and the building units in buildings situated on the land can be treated to refine conveyancing of common areas. It simplifies the legal

description for building units. It allows the land surrounding the building to be easily conveyed by making it common property appurtenant to the building units, and the fractional shares are conveyed along with conveyances of the building units. It provides for a plan that is prepared under ESA guidelines and requires that it be registered as part of a declaration of divided co-ownership so as to give public notice of dimensions of the building units and the common property as shown on the plan and it clarifies ownership issues related to the common property. Finally, the proposed regulation contains provisions for staged development of apartment unit projects, and provides certain protections for unit owners that are not a part of the current legal framework.

Legal and Regulatory Improvements to the Personal Deed System. At the request of USAID and in response to the revised policy direction (EFS focus on personal deed system) Justin T. Holl, Jr. prepared two further reports.

1. Recommendations to Expedite Mortgage Registration under *Siguel El Shaksi* – March 2006
2. Required Legal Measures to Improve the Personal Deed System - October 2006.

The first report describes measures that can be implemented to simplify the registration of mortgages and other documents under the personal deed system. Recommendations include reorganizing indices by parcel. This will allow the registry office to search one book very quickly for all transactions affecting the property. This would result in a more accurate and complete list of transactions in the certificate giving a requesting finance company better information to assess its risk in extending mortgage financing. Other recommendations include issuance of an REPD directive eliminating the need for any re-survey work by ESA for transactions in which there is no change in the geographic configuration of the property.

The instructions should be amended to allow both the registration of mortgages and the termination of mortgages by mail without personal appearance by a representative of the mortgage company to verify signatures.

Article 43 of the Law No. 114 (1946) as amended (*Siguel El-Shaksi*) declares a mortgage as void after ten years, which is not in keeping with modern mortgage practice. The ten-year limitation is unreasonable for mortgages, which as the industry grows and financing terms lengthen, will cause great inconvenience to the mortgage companies and in some situations unnecessary loss of security.

The second report proposes:

- Law No.114/1946 - *Siguel El-Shaksi* should be amended to offer positive legal incentives for its use. That law should clearly state the legal benefit of the blue deed. Any amendment should include more than just a governmental recognition of the ownership that it evidences. It is recommended that consideration be given to amending Law No. 114/1946 to provide indefeasible title and thereby offer a stronger incentive for the public to register title.
- A legal notice provision should be formulated and added to the *Siguel El-Shaksi* law to ensure that it has the legal effect that all persons dealing with a parcel of real estate are presumed to have knowledge of all currently valid registered legal rights and obligations affecting the parcel, whether or not the person dealing with the property actually checks the registered records. This protects the holders of registered rights by ensuring that subsequently acquired rights are acquired subject to their prior registered rights. It is recommended that a provision providing for notice be added to Law No.114/1946.

- All transactions should be administered and processed at the respective registry office in which the property is situated. Presently mortgage finance agreements are registered in the REPD central offices whereas other transactions are registered in district offices. This opens the opportunity for a mortgage finance agreement to be in process in the central office while at the same time an unscrupulous seller sells on contract to a second purchaser who then starts registration in the district office.
- An adverse claim mechanism should be evaluated and introduced either with regard to any claim or specifically regarding mortgage finance agreements which will allow claimants including lenders to protect the noticed rights against subsequent purchasers.
- Registry Offices should treat sales purchase installment contracts with developers in the same fashion as any other sale contract, but subject to a lien in favor of the developer. A second document will assign the seller's rights to installments and the lien securing payment of the installments to the lender/financier.
- REPD should remove externally imposed requirements from their applications that police other land administration functions such as building permits, planning and zoning law, and property taxes. An efficient registration system should be neutral to these issues and not be used to police other land administration functions, particularly those that are regularly violated. This step would remove the most often cited reasons for rejection of applications. To accomplish this objective we recommend that REPD issue a new directive.
- It should be a prime goal of the REPD to minimize the time for evaluation of applications for registration. All registration applications should be processed in the district offices.
- Pragmatic evidentiary standards should be adopted by REPD to facilitate the processing of applications.

KRA 2.2 Redesign and Automation of Business Processes for Application in Two REPD and ESA Model Office Locations

Subsequent to GOE's revised policy direction and eventual letter issued July 10, 2006 to USAID, EFS embarked on completing its business process reengineering for the personal deed system and development of system requirement specifications for two applications related to the deed system. This analysis was completed in December 2006.

2.2.1 Address Functionality Requirements of Registry Offices

Senior Systems Analyst and Document Management Specialist Sergey Lizenko and IT Systems Specialist Maksym Kalyta drafted a report, "System Requirements Specifications for the Title Registration System". This report was presented and reviewed extensively in a one day workshop with Eng. Emad Hassan, Project Director, the National Urban Registration Project, MSAD in February 2006.

2.2.2 Address Capabilities of Proposed Applications to manage all aspects of Land Records Processing

Our Systems Analysis team, Lizenko, Kalyta, Kholoud and Nour, completed their analysis and prepared system requirement specifications for both first registration and subsequent transactions for the title system. It should be noted that EFS focus was at this point in time on Title Registration (February 2006). Subsequent to GOE's revised policy directive to EFS to focus on the personal deed system we are now completing the same cycle of analysis and reports for the enhanced parcel based deed system.

2.2.3 Design Automated Systems to Capture, Maintain and Manage Survey Data and Cadastral Information

System Requirement Specifications and Data Catalog for Title Registration System - EFS submitted all documentation pertaining to the title system to Mr. Emad Hassan, MSAD in March 2006. Final draft specifications were prepared and are incorporated in our report "System Requirements Specifications for Egypt's Title Registration System".

Coordination with MCIT - Team Leader and Team met with Dr. Hesham El Deeb and Mr. Khaled Abdel-Hamid, both MCIT, on March 13, 2006 to present EFS system requirement specifications and document analysis report pertaining to the new title registration system. MCIT is an important stakeholder in registration as this agency is coordinating the introduction of title registration in agricultural areas.

2.2.4 Introduce Steps to Facilitate and Strengthen Adjudication Processes

Proposals to improve adjudication are addressed in Task 2's technical approach and field methodology to introduce title registration (first registration). These were presented and discussed with both REPD and ESA. However, EFS is no longer involved in title registration and this technical work is now assumed by MSAD.

2.2.5 Analyze, Evaluate and Identify the IT Platforms Required to Support the Business Applications

IT Assessment for EPO and EDO - Task 2 visited the Giza Egyptian Survey Authority Provincial Office (EPO) and Egyptian Survey Authority District Office (EDO) to make a preliminary assessment of IT and facility upgrades required to support the pilot project in Sixth of October. Task 2 received ESA's internal assessment for an IT upgrade for Giza Egyptian Survey Authority Provincial Office (EPO). This allowed Task 2 to visit the Giza Egyptian Survey Authority Provincial Office (EPO) to complete the assessment of the IT upgrade requirements for Giza EPO. (June 2006)

The IT assessment and analysis undertaken for the title system is currently being modified and adapted to support the design of the improved, parcel based deed system. Maksym Kalyta, Faris Sayegh and Kholoud Saad completed draft system requirements specifications and paper document analysis for the improved deed system in collaboration with MSAD system analysts.

2.2.6 Embed a Property Locator System within the Design Application

In October 2006 a final property identification system, suitable for use by both deed and title systems were agreed to by ESA and will be used in Mokattam - our pilot project area.

2.2.7 Work with our Counterparts to Identify IT System Needs/Capabilities and Review Technology Options

An assessment of existing IT capabilities and applications in use at REPD and ESA offices is completed. A report addressing issues of IT systems needs, capabilities and options was also completed. An assessment of existing IT capabilities and applications in use at REPD and ESA offices is complete with findings and recommendations included in the Inception Report.

KRA 2.3 Implementation Plan for Two Registry Offices

EFS prepared a detailed operational plan for the Mokattam Registry Office in October 2006. This was supplemented by a detailed Gantt chart in November 2006. These materials were presented, reviewed and discussed with our partners and USAID in a one-day planning workshop held November 22, 2006.

The operational plan outlines the required steps, activities and actions to implement and make operational an improved, automated registry office in Mokattam by end 2007. It delineates which

entity has lead responsibility for required actions, and operational support and technical assistance inputs. It assumes technical guidelines will be adopted by ESA in a timely manner to simplify procedures to facilitate the delivery and production of property index maps, utilizing outsourcing to private companies. It also assumes that REPD will issue new technical instructions simplifying and endorsing reengineered administrative procedures relating to registration applications and the registration of mortgages under the personal deed system.

The operational plan is designed to facilitate replication by the process owners and MSAD. To the extent possible under current law it relies on the private sector to play an important role in the production and delivery of registration related services in conformance with standards set by both ESA and REPD.

The eventual blueprint with total system documentation to be delivered to MSAD is designed to eliminate the need for further EFS services and facilitate replication and roll-out of additional registry offices under the coordination of MSAD working in partnership with REPD and ESA.

2.3.1 Develop Criteria for Model Office Selection

This activity was aided by the signing of MOUs and the designation of Mokattam as the location for the first Registry Office.

EFS prepared generic floor plan layouts and an equipment quantities list for the proposed model registry office. These were submitted, reviewed, modified and accepted by MOJ. Criteria for the selection of model office locations were developed and reviewed with REPD.

EFS identified a short list of proposed office locations for the Mokattam Registry Office. The final selection was not made by the end of the year.

EFS has agreed to lease and pay utilities for the first year of operation and set up of the new registry office. Current timetable for lease commencement is April 1, 2007.

2.3.2 Prepare Implementation Plan for Each Model Office

Detailed operational plan and Gantt chart completed and reviewed with our partners in a one-day planning workshop held November 22, 2006. At this time EFS plans to design and deploy automated systems in one model Registry Office only - namely Mokattam.

2.3.3 Collect and Generate Datasets

Preparation of Property Index Maps. An extensive series of documented meetings with ESA were held during the period August through November 2006 to finalize the role of the private sector in the preparation and production of property index maps. ESA has agreed to promulgate new technical instructions pertaining to property index map preparation. EFS prepared draft technical instructions in English and Arabic. To further support property index mapping by private contractors ESA has agreed to adopt Quality Assurance and Quality Control standards (drafted by EFS) to ensure performance compliance against documented standards. ESA has agreed that private sector personnel may be used to prepare property index maps, primarily the building footprint and definition of each real estate object to be registered. ESA will retain responsibility for demarcating each land parcel. All digital data and field records remain the ownership of ESA.

Geographic Zones in Mokattam. Staff visited the urban district Mokattam in August 2006 to reconnoiter the area and identify priority zones for the enhanced deed system. A slide summary of the residential topography and different zones was made to Emad Hassan, Project Manager,

National Urban Registration Project, MSAD in August 2006 and also to USAID. EFS met with ESA and Nasr City Construction Company to confirm availability of digital maps for Mokattam. ESA has maps at scale 1:1000 done in 2005 and ESA has agreed that private contractors will be permitted to acquire these maps in digital and hard copy format.

2.3.4 Design a Multi-component Training Program

Training Development Center. The TDC will be used to train both government and private sector personnel on the new redesigned system, its business processes, collection of field data, preparation of property index maps, improved customer service/public outreach, and system administration and maintenance for the improved deed system. The TDC was fully delivered to MOJ in December 2006 and asset transfer is scheduled for completion in Q1 2007. It is ready for operational use. Our Training Team prepared training curricula for both REPD and ESA and completed the design and delivery of the first major course “Cadastral Operations Course” in November 2006. EFS will design all course materials in collaboration with REPD and ESA Trainers, train the trainers and each agency is then responsible for continued training. All courses will be conducted at the TDC or ESA Training Center. All private sector personnel will undergo training at either the TDC or ESA Training Center on a fee-basis.

C. Required Deliverables Status

The EFS contract lists 6 distinct deliverables² for Task 2 under Section F.3 – Reports and Deliverables or Outputs under the heading “Task 2 - Improve operation of the registration system for urban properties in the Ministry of Justice “.

Substantial progress has been made on contract deliverables. The following section discusses the current status of these deliverables and EFS-planned activities to achieve further progress over the remaining project term. All contract deliverables should be completed by end Year 3 with one exception. The contract calls for the delivery of two registry offices. Our position is that one well designed and tested prototype should be sufficient to prove and meet tests for replication and subsequent roll out by Government. However, subject to Government request and designation of one other urban high residential growth area in Greater Cairo, available funding and USAID approval, EFS can commence operations in a second location Q1 2008 and deliver a second registry office by end Q4 2008.

1a. Strategic Plan for Registry System Improvement

This deliverable is complete. Strategic plans for real property registration improvements are completed, reviewed and in large part adopted by the two process owners – REPD and ESA. EFS submitted two comprehensive reports addressing strategic planning to improve urban property registration.

The first, our Inception Report, entitled *Property and Registration Law in Egypt: Current Operation and Practice (Report No.3)* was delivered in June 2005 and presented in a workshop with counterparts in July 2005. That report contained legal, policy and operational policy analyses and recommendations for review and action by MOJ, REPD and ESA. Proposed reforms/strategies included a renewed focus and investment by Government in registration as a public policy tool, dramatic reduction in registration fees to make registration affordable,

² During the planning session for the year 3 work plan; deliverable 2: *Establish the framework for a professional property surveyor industry*; originally contained under Task 1 was reassigned to Task 2.

redesign, simplification and automation of business processes, integration of staff in a one stop registry office, consumer education and outreach, capacity building through well designed training curricula, deregulation measures, legal measures to strengthen private ownership rights, new executive regulations governing divided co ownership of immovable property, and international best practice trends.

The second entitled *Cadastral Survey and Mapping Issues Report (Report No.9)* was delivered in June 2005 and presented in a workshop with counterparts in July 2005. That report assessed ESA's current organizational structure, its staffing resources, technical capacity and cadastral mapping infrastructure and data. Proposed reforms/strategies included recommendations to invest in the upgrade/densification of the urban geodetic control network, redesign, simplification and automation of ESA's business processes, required new technical instructions governing the production of property index maps and cadastral forms, integration of fees, quality control/quality assurance standards, improved customer service, the elimination of survey on subsequent transactions for cases in which the geometry of the property remains unaltered, required education and training in surveying and initial steps to outsource and eventually privatize survey services.

Response to date has been dramatic. The passage of Law No. 83/2006 in late May, 2006 instituted an affordable reduced tier fee structure for registration. A subsequent Minister of Justice Decree issued August 2006 detailed how fees will be assessed and applied by registry offices. Another landmark initiative was the decision to create and fund the National Urban Registration Project under the auspices of the State Ministry of Administrative Development (MSAD). This represents the first serious commitment by Government to invest and improve urban registration in decades. The first phase consists of nine urban districts in Greater Cairo and includes high growth residential areas in New Communities such as Sixth of October, Sheikh Zayed and New Cairo.

To better implement and organize the strategic plans EFS entered into bilateral agreements with the Ministry of Justice/Real Estate Publicity Department (MOJ/REPD) and the Egyptian Survey Authority (ESA) in August 2005. These institutional partners are categorized as the process owners and service providers for the work being undertaken by Task 2.

In July 2006, EFS was directed by MSAD (after consultation with both MOJ and ESA) to redesign the personal deed system, convert all records to a parcel based index, automate registry operations and deploy the system in Mokattam. EFS is now an integral partner and component of the National Urban Registration Project. The premise by Government is that there is real merit and cost savings in improving the deed system. We concur.

Both MOJ/REPD and the Egyptian Survey Authority (ESA) have agreed to adopt and implement a one-stop registry office in Mokattam as a prototype. Personnel from REPD, the notary public office and ESA will be trained on the new system and duty stationed in one integrated registry office.

1b. Strategic Plan for Mass Registration of Urban Real Properties.

This contract deliverable is well advanced. EFS prepared and undertook prototype field surveys of six cadastral blocks located in Nasr City, Mansheyet Nasser, New Cairo, Maadi and New Maadi to test and cost cadastral methodology and use of alternative technologies in the production of property index maps and building unit data (Report No.23 October 2005). A subsequent report (Report No.30) identified and described 30,000 properties (objects) and

cadastral zones in Nasr City and El Maadi, and Sixth of October to be included in the first (pilot) title registration project by MSAD. A preliminary report (unnumbered) prepared in December 2005 provided an outline for a field manual describing processes and procedures for field operations related to systematic adjudication of property rights for first registration under title registration. This work (on systematic adjudication processes) was discontinued as MSAD is now responsible for title registration.

To support mass registration of urban properties EFS is preparing new technical instructions on cadastral methodology and operations, quality control/quality assurance standards and a training course on cadastral methodology, for use and adoption by ESA. A detailed operations plan with work schedules to produce property index maps and building unit data for Mokattam is under preparation. This work will be completed by end Quarter 4 2006.

2. Prepare information and communication technology (ICT) needs assessment for property registration related activities.

EFS completed its ICT needs assessment of model registry offices and the REPD Training Development Center in August 2005 (Report No.15). A corollary needs assessment report for a prototype ESA provincial office was completed in June 2006. Both reports identified and assessed hardware/software requirements, basic platforms, specifications and initial quantity estimates and procurement costs.

To enable procurement to proceed a number of steps remain to be completed. These include the reengineering of the personal deed system, preparation of system requirements specifications for the two main applications and design integration of platforms between the title (MSAD) and deed systems (EFS). This work is well underway with the fielding of Maksym Kalyta, Faris Sayegh and Kholoud Saad, our system analysts in November and December 2006. Floor plan design and layout for the Mokattam Registry Office are under preparation with complete IT hardware and software specifications and quantities, which incorporate new work flows. One comprehensive IRM report will be prepared summarizing ICT requirements with detailed specifications and cost estimates. These steps are scheduled for completion (to enable procurement to proceed) by end Quarter 4 2006.

2a Establish the framework for a professional property surveyor industry

EFS prepared briefing papers and provided two guest speakers for a one day work shop sponsored by ESA held 18 April 2006 to review and discuss strategies and phased timetable to introduce private sector capacity in the delivery of cadastral survey and mapping services. During 2007 EFS plans to collaborate with ESA in the formulation of a strategic plan to introduce private sector capacity and licensing of land surveyors. ESA would be responsible for establishing surveying licensing and standards, managing the national cadastre, and promoting the growth and development of the private sector surveying industry. A core element of the strategy will be required measures and timetable to introduce and implement a licensing system for private surveyors.

3. Establish a property registry system and locator system which will use a Code Number Index which can be linked to a modern GIS or LIS.

This deliverable is completed. A property locator and unique code number index for urban properties have been adopted. In August 2005 EFS prepared a concept paper outlining the need for a revised approach to unique real property identifiers in Egypt, especially with regards to property registration and cadastre systems. This was presented and discussed with

numerous stakeholders, principally ESA and MSAD, and led to the adoption by ESA of a unique property identifier that serves as the primary key to link databases between the registry and the cadastre as well as serve multiple agencies that share and exchange property related data.

4. Prepare plans and carry out the reorganization of two local district registry offices, as models of the streamlined registration procedures. Provide the hardware, software, management structure and protocols, standards and training needed for efficient operations.

EFS prepared a detailed plan of operation and work schedule to design and deliver a modern, automated registry office in Mokattam linked with the central REPD office and EPO Provincial office. This document outlines the required steps, activities and actions to implement and make operational an improved, automated registry office in Mokattam by end 2007. It delineates which entity has lead responsibility for required actions, and operational support and technical assistance inputs. It assumes technical guidelines will be adopted by ESA in a timely manner to simplify procedures to facilitate the delivery and production of property index maps, utilizing outsourcing to private companies. It also assumes that REPD will issue new technical instructions simplifying and endorsing reengineered administrative procedures relating to registration applications and the registration of mortgages under the personal deed system.

EFS conducted a planning workshop with our partners to review this document and other materials on November 22, 2006 at the Nile Hilton Hotel. The operational plan is designed to facilitate replication by the process owners and MSAD. To the extent possible under current law it relies on the private sector to play an important role in the production and delivery of registration related services in conformance with standards set by both ESA and REPD.

The eventual blueprint with total system documentation to be delivered to MSAD is designed to eliminate the need for further EFS services and facilitate replication and roll-out of additional registry offices under the coordination of MSAD working in partnership with REPD and ESA.

The use of private sector survey companies to perform field survey work needed to identify buildings and apartment units is approved by ESA. EFS will prepare performance based contracts to award to pre-qualified private companies on a competitive bid basis. Mokattam will be divided into several zones and bidders will be limited to bidding on two or three zones.

EFS has procured survey equipment for dual use through the life of the project – training on GPS and total stations, and field use of the equipment in the production of cadastral index maps. In March 2007 EFS plans to be operational in the field and located on an interim basis in a rented office that will evolve and become the new registry office in Mokattam later in Year 3.

EFS will assist REPD in the design of a comprehensive communications strategy to include public awareness, education, and outreach campaigns to encourage public participation in applying to register ownership claims. Private sector companies will be contracted to perform these services in collaboration with REPD.

We anticipate full transfer of the operational registry office in Mokattam to REPD by end December 2007.

5. Develop and implement a training program within the MOJ training facility to provide direct instruction, training of trainers and an appropriate curriculum related to property registration.

EFS designed, funded and delivered in November 2006 a state of the art Training Development Center for use by the Real Estate Publicity Department.

During 2007 EFS will design and deliver a multi-component training program and curriculum with course materials for use and ownership by REPD and ESA. A series of modular training courses for both ESA and REPD is under preparation for delivery during 2007. EFS will assist in the training of trainers but operation and subsequent roll out of the training courses is the responsibility of both ESA and REPD.

All personnel to be duty stationed in the Mokattam Registry Office and EPO office will be required to undergo both formal classroom and on the job training on the new system.

Private sector personnel from successful bidders will be required to undergo training on the 3 week Cadastral Operations Course at ESA's training center prior to commencing fieldwork. The training manuals for both instructors and participants are completed. This training will be fee based, payable to ESA, and an allowance for per capita training will be included in each bid award.

Similarly, private sector personnel from successful bidders will be required to undergo training at REPD on a training course designed to target and promote the benefits of property registration. Targeting will be aimed at homeowners and interested mortgage borrowers in Mokattam. Training and associated technical materials will be jointly prepared by Task 1 and 2 working in close collaboration with PA with inputs and feedback from MFA and REPD.

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

A. Overview

Year 2 - 2006

- *Mortgage liquidity facility is constituted.* The New Financial Instruments (NFI) Team assisted MFA incorporate, draft and adopt the internal by-laws of the Egyptian Liquidity Facility or ELF, now re-named Egyptian Mortgage Refinance Company or EMRC. This secondary mortgage market infrastructure institution will provide liquidity to mortgage lenders by raising funds on the capital market. Its three major founders are CBE, National Bank of Egypt (NBE), and Guaranty and Subsidy Fund (GSF) with an authorized capital of L.E. 640 million and issued and paid-in capital of L.E. 64 million. The NFI Team also assisted in the preparation of a business plan and a private placement offering memorandum. As of September 2006, 18 banks and two mortgage finance companies had also become shareholders of EMRC, raising the issued and paid-up capital to L.E. 200 million.
- *CMA adopts financial instruments strategy.* The CMA and NFI Team assisted by NASD conducted a comprehensive assessment of the Egyptian capital market to determine the need for new instruments, capabilities of market institutions — regulator, exchange, clearing and depository, issuers, brokers, custodians, dealers, asset managers, investors, and other intermediaries — to handle current and new financial instruments. While noting the remarkable development of CMA, CASE, MCDR, and the legal framework, the assessment stressed two major issues: a) the uneven regulatory playing field on which banks and securities companies compete in the Primary Dealer system, the secondary Government of Egypt (GOE) bond market, the primary and secondary corporate bond market, and mutual funds; and b) the need for CMA and CBE to coordinate their actions to address regulatory gaps in the securities industry, and adopt a policy of “regulation by function”. The predominance of banks in this securities market, and their resistance to primary and secondary market activities, are a source of secondary market stagnation.

The assessment report offered steps to take to resolve these issues, and provided for each current instrument specific implementation recommendations. The CMA management agreed with the proposed strategy and immediately requested EFS to assist implement it.

- *Short selling.* The NFI Team began applying the strategy by reviewing CMA regulations and rules on short selling. The main recommendation was to open the short selling business to securities brokers rather than limit it to custodian banks under current executive regulations. NFI team and short-term advisor Charlie Rubin have:
 1. Reviewed and recommended changes to chapter nine of the executive regulations to the Capital Market Law in relation to margin trading and short selling;
 2. Reviewed and recommended changes to the draft rules developed by MCDR for securities lending and borrowing;
 3. Reviewed requirements of short selling on CASE trading system;

4. Jointly with CMA and representatives from market participants, reviewed the draft net capital rule for members of CASE.

At CMA request, EFS will carry out testing of functionalities of both securities lending and borrowing system of MCDR and trading system of CASE in relation to executing and settlement of short sales.

- *Egypt's first securitization issues.* Egypt's first new financial instrument introduced with EFS assistance was issued in January 2006. USAID and EFS received a thank you letter from the issuing company for the support given by USAID and EFS to the CMA and the issuer in reviewing and finalizing the draft prospectus, assignment agreement, custody agreement, and service agreement.

With NFI Team technical assistance and training to the two issuers in their initial phase of securitizing their portfolios, the first two securitized bonds in Egypt were successfully issued and oversubscribed. Contact Securitization Company issued L.E. 140 million of bonds secured by a portfolio of car loans in January. In June, the Egyptian Arab Land Bank issued securitized bonds of L.E. 500 million, secured by a portfolio of real estate loans to a governmental real estate developer. The total value of securitized bonds issued as of September 2006 amounted to L.E. 640 million, compared to 0 LE when EFS commenced (November 2004).

In parallel, the CMA adopted in April the NFI Team's proposal to revise the executive regulations on securitization to allow the originator of a loan portfolio to raise its share ownership in a special-purpose vehicle that issues the securitized bonds, by removing the 20% ownership ceiling. This paved the way for originators to securitize their loan portfolios without impairing the "true sale" and "bankruptcy remoteness" that protect securitized bondholders.

- *Revised regulatory framework for factoring.* In August, the Board of Directors of GAFI approved the regulations and rules on factoring business drafted and finalized by the NFI Team, in close association with Senior Financial Advisor to the MOI. GAFI also approved in September the incorporation of the first factoring company in the Free Zone of Nasr City with a paid-in capital of US \$5 million, under the new regulations applicable nation-wide. The main change effected by the NFI Team was to "lighten" the regulations and rules on factoring to avoid the over-regulation burden and its adverse effect on the development of the factoring industry.

Challenges

- a. Efforts to interest the Ministry of Justice and GAFI on the collateral registry initiative to support secured lending remained unsuccessful throughout 2005 and 2006.

B. Activity Status

KRA 3.1 Diversity of Financial (for Investors) and Financing (for Borrowers) Instruments Expanded

3.1.2 Development of New Financial Instruments

CMA strategy for new financial instruments. After a planning period that began in September 2005, and initially to be a mere assessment of market readiness to the introduction of new financial instruments, the NFI Team re-designed the task to be complemented by a strategy: This would assist the CMA, and enable CMA and EFS to devote shared efforts to a known commitment on new instruments, over the duration of the EFS project.

The NFI Team prepared in February-March 2006 an outline of a preliminary report for NASD advisors, along with background information on the proposed instruments, indicators of needs for the instruments, economic basis for such needs and market capacity to regulate, trade, settle and intermediate in those instruments. The outline was shared with the CMA Chairman in a meeting on March 28, 2006 to engage the CMA staff in preparation for NASD assignment.

On May 15, 2006, National Association of Securities Dealers (NASD) advisors Molly Bayley and Michael Kulczak had completed their three-week assignment jointly with the NFI Team, to assess the readiness of the market to the introduction of new financial instruments, and to devise with the Capital Markets Authority (CMA) a strategy for the expansion of financial instruments in the capital market, as a source of non-bank finance, concentrating on GOE and corporate debt securities, commercial paper, and investment funds. Laws and regulations were reviewed; annual reports, the CMA strategy, and market data were gathered, analyzed and reconciled; meetings were held with CMA, MOF, Central Bank of Egypt (CBE), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Depository, and Registry (MCDR), CMA, Egypt Investment Management Association (EIMA), large corporate issuers, banks, brokers, dealers and Primary Dealers, underwriters, investment advisors, and investment funds sponsors.

While noting the remarkable development successes of CMA, CASE, MCDR and the legal framework, two major themes emerged, as mentioned above under "Overview" : first, the uneven "regulatory playing field" on which banks and securities companies compete; and second, the need for regulators to coordinate their actions to adopt a policy of "regulation by function" based not on "who you are", i.e. a bank or a broker, but on what you do, i.e. deal in securities, because without remedial action, securities firms and the market will stagnate.

The Technical Report #56 strategy proposes the expansion of current instruments as a priority to the introduction of new ones, such as commercial paper, convertible bonds, Exchange Traded Funds, Real Estate Investment Trusts (REITS) and derivatives which are cautiously kept aside for the time being. It offers an assessment and a strategy for each of them, complemented by specific implementation recommendations. The report also proposes steps to be taken to address the two main issues, and discusses ancillary issues such as a public rulemaking process, the pursuit of the Self Regulatory Organization (SRO) agenda, and public awareness.

The approach was accepted by CMA and is the basis for work in 2007.

Commercial Paper - In two separate meetings with EFS, the CMA Chairman and Deputy Chairman confirmed CMA interest in initiating work on commercial paper, such as money market instruments. The CMA is currently reviewing the concept paper prepared by François Pépin on the regulatory framework of commercial paper, mostly exempt under securities laws. A planned discussion meeting between CMA Deputy Chairman and EFS to identify next steps to be taken did not take place, although the CMA was approached by a private-sector bank to explore requirements for registration and approval of offering of commercial papers.

Credit enhancement. Although not requiring a CMA rule, the following initiatives were meant to implement an innovative infrastructure of new financial instruments under EFS objectives: support the mortgage market and introduce new financial instruments.

In 2006, EFS and then CMA Chairman discussed this guarantee facility offered to Egyptian businesses by the USAID-funded Development Credit Authority (DCA). EFS prepared a memorandum for the CMA Chairman outlining how DCS is used to support development goals. The memo included background information on DCA, its objectives, and the types of DCA guarantees. The memo also included examples of DCA used in other countries to encourage local private sector banks and other lenders to provide credit to development projects that, while economically viable, lack physical collateral to obtain the necessary credit. The DCA guarantees up to 50% of the lender's credit risk. The EFS memo was forwarded by the CMA Chairman to the Minister of Investment. The CMA and the MoI were interested in this mechanism and explored the possibility of using the DCA facility for asset-backed securities and to promote the real estate and mortgage industry. DCA and EFS share the common goal of activating the bond market. From a new financial instrument perspective, the DCA guarantee constitutes a credit-enhancement tool for strategic bond issues, and worthy of a jointly coordinated workshop between DCS and EFS: this was not pursued.

Short-term EFS advisor Carrie Averch came to Cairo for an internal and non-billable workshop at EFS premises on February 3, 2006 with the then USAID CTO Gregg Wiitala and DCTO Ingi Lotfi, accompanied by USAID former Commodity Imports Program Manager Tawfik Frega, and EFS COP, DCOP and then Task 3 Leader François Pépin, and Task 1 Leader to explore possible applications of the DCA program to EFS. Two applications were retained: 1) a bond issue on the capital market by mortgage lenders for longer term funds, and 2) a guarantee to lenders financing SMEs for equipment, for which an action plan and SOW was proposed by Carrie Averch, inclusive of USAID DCA local specialists and USAID attorney Paul Friedman, and approved by USAID. In Cairo, Carrie developed with USAID a concept paper (Technical Report #63) to extend finance to small and medium businesses in Upper Egypt for equipment purchase, using a DCA guaranty. Carrie was provided a summary paper on the leasing industry in Egypt prepared by Senior Financial Advisor Ahmed Hussein, and the annual report of various banks. Carrie completed her task and all documentation required by DCA for USAID to proceed with the guarantee. However, implementation was postponed by then USAID CTO Gregg Wiitala to October 2006, and it was subsequently decided USAID it was not to be pursued. However, this may be revived in 2007.

Short-selling. EFS prepared a short study on short selling for the CMA Technical Office, and published in the Money newspaper (El Mal) the first week of February. The CMA Chairman requested EFS technical assistance in launching short selling. EFS's draft proposal was presented to the Chairman on June 12, 2006: it includes include drafting CASE and MCDR rules on short selling, review trading and settlement systems for short selling trades, and providing training to the regulatory and operational staff in the new rules.

Rubin arrived in Cairo on July 29, 2006 to work with the CMA, CASE and MCDR on developing and finalizing systems and rules on short selling operations and to provide training in systems and rule to market regulatory and operational staff. Task 3 Leader Ahmed Hussein, Senior Commercial Lawyer François Pépin, and Charlie Rubin met with MCDR Chairman Mr. Mohamed Abdel Salam and Deputy Chairman Dr. Tarek Ezzet, on initial discussion of the system and rules proposed by MCDR on short selling. Charlie and Ahmed worked with the MCDR operational team on reviewing and finalizing, jointly with the CMA, the system and rules on short selling to be presented to the CMA for review and approval. CMA Chairman Dr. Hani

Sarie El Din has also requested that Charlie and Ahmed review the existing regulations on margin trading and short selling to provide comment and recommendations for amendments, if necessary.

Ahmed and Charlie conducted working sessions with CMA market surveillance and legal advisors, and MCDR and CASE operations and IT staff on detailed review and testing of the proposed rules and systems. As a result, certain revisions and amendments be made by both CASE and MCDR to trading, and securities lending and borrowing systems to effectively allow for short selling. Ahmed and Charlie also conducted meetings with three brokerage firms to discuss capacity of brokers in handling short-selling operations in terms of capitalization, systems, back-office operations and skilled front office staffing.

EFS' review of existing executive regulations on short selling has concluded the need for amending those regulations to allow securities brokers to conduct short selling and margin trading rather than being currently limited to custodian banks. A recommendation will be made to expand short selling to primary dealers in government securities recognized by MOF.

Charlie and Ahmed finalized the first draft of the report on short selling which was presented to the CMA Chairman by Ahmed and senior Legal Advisor Shamsnoor Abdul Aziz on August 30. Ahmed Hussein and Shamsnoor Abdel Aziz prepared a chart of amendments required to the regulatory framework, to be finalized in October with the CMA.

The report includes findings and recommendations to revise the following:

1. *Chapter nine of the executive regulations to the capital market law.* The main recommendation is to allow brokers, rather than custodian banks, to be licensed for margin trading and short selling. The report provided a list of arguments supporting the recommendation.
2. *CMA rules on short selling.* The main recommendation is to lower the maximum limitation on number of securities to be sold.
3. *CASE requirements for short selling.* The main recommendation is to allow short sell orders to be executed only when the price change is going up.
4. *Rules on MCDR securities lending and borrowing (SLB) system.* The main recommendations: central polling of securities available for lending; margining short selling accounts by MCDR system rather than systems of individual brokers; allocate interest income on cash collateral among MCDR, as a service provider, custodian, as representing the lender, and the brokers, as representing the borrowing customer.

EFS Senior Legal Advisor Shamsnoor Abdul Aziz and Task Leader Hussein started working on a detailed proposal to the CMA on changes recommended to Chapter Nine of the Executive Regulations to the Capital Market Law pursuant to recommendations of Charlie Rubin and Ahmed Hussein in August. The detailed proposal will be presented in Arabic and includes a proposed draft of the new regulations and justifications for recommended revisions.

In two follow-up assignments, Rubin will assist the CMA in testing the revised electronic system of MCDR for SLB and CASE trading system for short selling operations, and provide training to the regulatory and industry staff on the regulatory framework and short-selling system.

EMRC established. The NFI Team, in coordination with Task 1 Team, provided legal assistance of short-term counsel Dr. Bahaa Ali El Dean in 2006, to constitute and incorporate EMRC as a private sector corporation, in accordance with the business model determined by

the World Bank, MFA and MOI. He also reviewed the business mandate of EMRC under the legal and regulatory framework to ensure their compatibility.

The task force requested assistance to develop in 2006 a business plan and an offering memorandum of its equity securities to potential investors (banks and mortgage companies). François Pépin reviewed the draft Offering Memorandum from MFA, prepared with the assistance of EFS legal advisor Bahaa Ali El Dean, and provided his written comments to MFA Deputy Chairman Ashraf El Kady, and subsequently to Chairman Osama Saleh, offering to discuss additional EFS short-term assistance to enhance these financial representations made to potential investors. Several meetings ensued with the MFA Deputy Chairman, MFA Board Member Mrs. Lubna Helal, and the Deputy Chairman Mr. Ashraf Al Kady, to review the business plan, finalized by the MFA, but MFA declined the assistance.

A presentation was then prepared by François Pépin on the EMRC for the MFA Chairman to prospective institutional investors, and delivered the same day of the meeting to MFA Deputy Chairman, followed the next day by complementary information on the Jordan and Malaysia liquidity facilities.

Senior Financial Advisor Ahmed Hussein performed a detailed review of the proposed regulations on capital adequacy of EMRC provided by Task 1 short-term advisor Greg Taber. The main revisions requested were adapting the regulations to the Egyptian environment and to clarify the regulatory objective of the regulations. Revisions were subsequently made by the short-term advisor. Final regulations were presented to the MFA.

In October 2006, an introductory meeting was held with the new Managing Director of the EMRC, Mrs. Iman Ismail, and MFA's Ms. May Abdel Hamid and Deputy Chairman Ashraf El Kady, with EFS COP and Manal Shalaby and François Pépin, discussing proposed assistance to EMRC. It was agreed that a study tour to the Jordan Mortgage Refinance Facility in mid-November 2006 would be most informative and timely: preparations were initiated by the EFS Training Department, but EMFA and EMRC subsequently declined EFS assistance. EFS Chief of Party Raymond Struyk then initiated a meeting with IFC to coordinate technical assistance to EMRC. IFC's Tom Jacobs, Operations Officer - Financial Markets, Raymond Struyk, Manal Shalaby, Ahmed Hussein and François Pépin, participated in the meeting, and all followed up with Mr. Syed Farhan Fasihuddin, IFC Program Manager for Housing Finance, and briefed him on EFS assistance to EMRC for coordination purposes.

This completed NFI Team's assistance to EMRC: at the MFA request, the NFI Team will concentrate its assistance on the secondary mortgage market and real estate securities. EFS' offer of additional assistance on the "operationalization" of EMRC by preparing credit, operations and investment policy manuals, was decisively declined by the MFA.

3.1.3 Conduct Workshops on New Financial Instruments

Factoring. EFS proposed to MOI Senior Financial Advisor Mr. Abdel Hamid Ibrahim an agenda and list of invitees to a workshop arranged with GAFI, to present to market stakeholders the new regulations and rules on factoring previously drafted by EFS advisors. The workshop organized by EFS, was held May 15, 2006 at the Grand Hyatt Hotel in Garden City. It was attended by 46 market participants interested in doing factoring business, and GAFI staff charged with applying the new framework. Participants included banks, companies interested in doing factoring business, and the sole existing factoring company in Egypt. Main speakers were GAFI Chairman Dr. Ziad Baha El Din and Mr. Abdel Hamid Ibrahim. Dr. Ziad requested participants to provide feedback and comments on the proposed regulatory framework before

being finalized and approved. Comments from participants were, subsequently, discussed in a meeting with GAFI Chairman and considered in the final draft of the regulations and rules on factoring.

3.1.4 Plan and Execute Public Awareness Campaigns

OECD National Investment Reform Workshop. At the request of the EFS then-USAID CTO, Mr. Gregg Wiitala, François Pépin developed and delivered a presentation, from the USAID donor perspective, and reviewed by Mr. Wiitala, on “Improving Capital and Financial Market Efficiency” for an Organization for Economic Cooperation and Development (OECD) workshop on May 17, 2006, sponsored by GAFI, focusing on investment policy reform in key areas. The presentation explains USAID and MOI efforts to modernize the financial sector with the expansion of non-bank financial products, and concludes by suggesting areas of attention to reform for progression towards “mature market” status.

KRA 3.2: Market and Regulatory Capacity Enhanced for New Instruments

3.2.1 Enhance the CMA Market Rules and Regulations

Rules. While working with the CMA on regulations, EFS drafted the margin trading rules. Work on these rules included necessary adjustments to the CASE and MCDR trade and settlement systems, and to CMA surveillance system pre-requisites. Those rules to be issued by CASE will implement the CMA executive regulations on margin finance. The rules also form part of the final deliverable report for this assignment on margin trading and set forth:

- Responsibilities of member firms licensed to do margin trading
- Clauses of the margin trading agreements between member firms and customers
- Criteria for securities eligible for margin trading
- Risk management by member firms for concentration in one customer or one security
- Procedures for executing margin trades
- Customer notification requirements for margin calls
- Procedures to liquidate customer margin accounts
- CMA and CASE member firm reporting requirements.

Implementation. EFS’s short-term advisor Charles Rubin and the Task 3 team prepared and submitted to the CMA Chairman an “Implementation Checklist” that includes the necessary steps and pre-requisites to implement margin finance and short selling in the market. EFS held a series of follow up meetings with the CMA Deputy Chairman, CASE Chairman and Deputy Chairman, MCSD Chairman, and the IT staff of CMA, CASE, and MCSD, on the implementation requirements for settlement and trading systems.

The NFI Team carried out follow-up activities with the publication of the guide on margin trading and 2006 technical assistance implementing the margin finance and short-selling rules.

Securitization

Amendments to executive regulations. The NFI Team was solicited to provide input to several proposals to articulate the executive regulations on securitization.

First, NFI Team followed up on its recommendations by proposing an amendment that simplified the documentation required for securitization.

The second amendment prepared by the NFI Team pertained to maintaining the safety of an asset-backed security while allowing flexibility in the ownership of a securitization company, and lowering the threshold of share ownership of an originator in a securitization company. The CMA Board of Directors approved the NFI Team draft amendment whereby the CMA can accept a higher percentage above the current 20% limitation of the originator's ownership in a securitization company. The amendment also sets forth the responsibility of the custodians towards the bondholders. The executive regulation was officially issued by the Minister of Investment in 2006 and replaced then current regulation.

For a third amendment, the CMA requested EFS opinion on an inquiry from Egypt Arab Land Bank regarding investment of surplus funds of its potential securitization portfolio in a mutual fund. The then article (306) had a threshold on the amount of a securitization bond to be issued, to be the lesser of: 1) present value of the portfolio total amount; and 2) the principal amount of the portfolio loans. This threshold is meant to protect bondholders by "over collateralization". This resulted in "over collateralization" of some bond issues when present value was higher than the principal amount, thus penalizing issuers with good portfolios. The amendment removed this threshold and left it to market players to select the amount or type of "over collateralization" or credit enhancement for a securitization bond issue. The new article requires bond issues to be rated (BBB+), higher than the rating of an underlying portfolio (BBB-). The higher rating of the bond issue makes the issuer and issue manager provide a credit enhancement of a value and type acceptable to bondholders and market practices. Such credit enhancements include over collateralization, insurance policy, third party guarantee, replacement of bad loans, etc. It introduces flexibility for the issuer while preserving the conservative investment risk of asset-backed securities. Shamsnoor and Ahmed prepared and delivered their opinion letter recommending amending Article (306) of the executive regulations to the Capital Market Law. EFS met with CMA Hesham Ibrahim, Minouche Abdel Meguid, and Dr. Iskandar Tomaa, and reached a final recommendation on the proposed amendment, captured in a NFI Team memo presented the CMA Board of Directors, who adopted the proposed amendment.

A fourth amendment was required to keep pace with a market gaining experience with securitization. In November 2006 at the CMA Chairman's request, EFS drafted CMA rules, both in Arabic and English, allowing securitization companies to issue more than one securitization bond each if secured by a segregated portfolio of financial rights pursuant to Article (41) of the Capital Market Law. The draft rules were approved by the CMA Chairman and adopted by the CMA Board of Directors in its meeting on November 23, 2006.

The main concepts underlying those rules are:

- 1) the protection of investors from the risk of commingling the funds and collaterals of two bond issues and two underlying portfolios; and
- 2) streamline the securitization process for portfolio originators to make businesses access to finance through capital market more cost efficient by using the same securitization company to do more than one bond issue.

Following the adoption of the rules, the CMA has approved the issuance of the 2nd securitization bond by Contact securitization company. The prospectus for the public offering of the bond was published on the newspaper on November 27, 2006. the face value of the bond issue is LE 159 Million secured by a portfolio of car loans amounting to LE 202 million with a present value of LE 169 million (over collateralization of LE 10 million). The underlying portfolio was credit rated

“AA-“ while the bond issue was credit rated “AA”. The bond is for a period of five years with monthly redemption. The interest rate on the bond is a fixed rate of 10.75%.

CMA guide to securitization issuers. Senior Financial Advisor Ahmed Hussein and Senior Investment Advisor Hesham Ibrahim reviewed and edited the CMA external manual or guide on the issuance of asset-backed bonds, drafted by the head of the CMA Fixed-Income Unit. The guide addresses all steps required by a corporation to securitize portfolios of receivables. The guide will be published by EFS. At the Egypt Invest Conference organized by the MOI and GAFI in October, Dr. Sari El Din made reference to a plan to review and revise rules and regulations for bonds with a USAID-project (EFS), when discussing challenges facing the Egyptian capital market and CMA plans to address them.

World Bank Assessment of Capital Market. NFI Team Senior commercial lawyer François Pépin and Senior Financial Advisor Ahmed Hussein met with the World Bank advisors JaeHoon YOO and David Scott, on Financial Sector Development to review the World Bank’s presentation to Prime Minister Dr. Ahmed Nazeif on developing the capacity and operations of the capital market in Egypt. The World Bank agreed to provide its internal report for use by EFS in the NASD assignment with the CMA, to strategize the introduction of new financial instruments.

3.2.4 Provide Training for Market Regulatory and Operational Staff in the New Rules and Regulations

On March 29, 2006, EFS Senior Systems Reengineering Advisors Mohanad Khaled and Mohamed Abdel Salam from BDO Khaled & Co, formerly Zarrouk & Khaled & Co., and EFS Senior Financial Advisor Ahmed Hussein, presented to the CMA Chairman Part One of their report on enhancing the CMA work flow cycles and operations of the newly established Office of Filings and Information Services at the new CMA premises in Smart Village. The recommendations were accepted by the CMA Chairman, and work flow cycles will be automated in cooperation with the MSAD (the GOE government services automation arm). This will ultimately enhance the efficiency of the CMA to provide better services to market participants.

To implement its new organizational structure, the CMA was assisted by EFS subcontractor BDO Khaled & Co. to carry out evaluation of its existing human resources in regulatory functions for the purpose of allocating them to the appropriate departments under the new organizational structure and to assess their training needs to acquire necessary skills and identify needs for hiring new staff. The evaluation resulted in a staffing plan implemented by CMA in January 2006.

CMA Fixed-income securities procedures manual. At the special request of the CMA Chairman, EFS COP, DCOP and Task 1 and Task 3 Senior Financial Advisors met with CMA Chairman and his staff to have the CMA staff of the fixed-income unit trained in the procedures manual and the prospectus prepared according to the best practices, prepared under the previous USAID CMD project. As agreed with the Chairman, Task 1 Senior Financial Advisor Manal Shalaby, co-author of this manual during CMD, prepared an action plan for implementing the program in cooperation with CMD co-author and EFS Task 3 Senior Financial Advisor Ahmed Hussein. Both advisors prepared and conducted four of twelve workshops at CMA on the Implementation of the CMA Internal Procedures Manual as part of the capacity building program of the Bond and Securitization Department technical staff. The workshops took place at the CMA premises.

The first training covered procedures in reviewing registration statements, prosecutes and other mandatory disclosures required form fixed-income securities issuers. Eight members of the CMA staff attended the first training. Manal Shalaby and Ahmed Hussein continued their training of the CMA staff on the fixed-income securities manual. The training sessions covered initial procedures to review registration forms and applications for issuing corporate bonds, and internal procedures to keep the manual updated constantly by the CMA Fixed-Income Securities Department.

Suspended by the CMA for a while due to other pressing priorities, EFS pursues reiterating to CMA the merit of such training, expected to resume in early 2007 for completion and internal adoption of the manual. The manual is a checklist of steps to be taken in the CMA to review a prospectus and other legal and regulatory requirements to permit issuers to make a public issue or private placement of bonds.

Securitization. While assisting the first two issuers ever to be securitized under the new securitization provisions of the Capital Market Law, EFS was assisting the CMA in a regulatory perspective throughout these securitizations, setting the standards for subsequent securitizations, and ensuring compliance with and interpretation of the “untested” securitization law and executive regulations. This was, in effect, a learning-by-doing training of the CMA.

With CMA

Conforming to the executive regulations, the team revised the CMA fixed-income securities manual, which lists the steps or procedures to be followed by personnel in CMA departments responsible for reviewing prospectuses of asset-backed securities issuers. Such reviews must be conducted prior to the approval for public release of any prospectus or related documents. Project staff will eventually help the CMA to update the manual based on requirements of the proposed mortgage-backed securitization rule after adoption by the CMA scheduled for Year 3.

3.2.5 Establish a Dual Accreditation System

This task was not pursued, at the CMA’s request.

3.2.6 Enhance the Regulatory Framework for Mutual Funds to Conform to International Standards

The EFS plan calls for technical assistance to implement international standards and best practices on mutual funds in the design of the new legal and regulatory framework. EFS will also develop a procedures manual and provide training on this manual. A series of documented international standards, namely from IOSCO, was provided to the CMA Deputy Chairman.

Real Estate Investment Funds - At the request of CMA Chairman, Senior Financial Advisor Manal Shalaby and Ahmed Hussein made a presentation on Real-estate Investment Funds in US Market to the CMA Chairman, Deputy Chairman, Senior Legal Advisor, Technical Assistant to the Chairman and Manager of Investment Funds Department. The CMA requested EFS technical assistance in developing the legal framework for real-estate investment funds in Egypt. The background papers prepared by Manal Shalaby of Task 1 and the NFI Team for and at the request of the MFA were shared with the CMA. A follow-up meeting was to be held on 3 October 2006 at which the CMA Deputy Chairman was requested by the Chairman to present a plan of regulatory actions for investment funds: Manal and Ahmed’s comparison of real estate investment vehicles was left with the Chairman’s Office.

3.2.7 Remove Impediments on Activating the Supply and Demand for Fixed Income Securities

Government debt securities market. As background, in 2005, EFS had met Mr. Mohamed Assaad, Head of the Primary Dealers Department at the ministry of Finance, to discuss its primary dealer system in activating the market for fixed-income securities. EFS discussed the work plan and the involvement of the MoF. The MoF Advisor requested EFS consider including in our Year One work plan:

- Short selling Government Securities
- Securities lending and borrowing in Government Securities

In 2005, ST Settlement and Depository Expert Peter Premk submitted a report on Delivery versus Payment (DvP). The report includes recommendations to improve the DvP process, fixed-income instruments and an initial design for the direct transfer gross settlement system (DTGS). The recommendations are under consideration by the NFI Team and the CMA.

Secondary Bond Market. Task 3 team members and Keith Krchak, U.S. Treasury Advisor to the Egypt Ministry of Finance, met with the CMA chairman to discuss impediments to the activation of the secondary bond market. Three impediments were identified as:

- High capitalization requirements for bond dealers
- Absence of formal repurchase agreements as a tool for financing holding and trading in securities
- Absence of market makers in secondary market

The CMA Chairman agreed to coordinate CMA efforts with those of the MOF to activate the secondary market for government and corporate bonds. In support of this, EFS Legal Research Assistant under the supervision of Senior Legal Advisor Shamsnoor Abdel Aziz, researched the rules and laws restricting investment of banks, insurance companies, pension funds, the military, and professional associations.

Senior commercial lawyer François Pépin, Senior Financial Advisor Ahmed Hussein, and US Treasury Advisor to Egypt Ministry of Finance Keith Krchak set an action plan with the CMA Chairman and his advisors to activate the secondary government bond market: CMA approval of repurchase agreements for government bonds, short selling in government bonds, and reconsidering the high bond dealers capitalization requirements.

Master Repurchase agreement.- A standard master repo agreement is part of the strategy to introduce short selling, as it permits the short sale of Government bonds without having a securities lending and borrowing system in place, as is required for corporate bonds. The introduction of the “repo” market (comparatively most important and lucrative worldwide, in trading value) in Egypt requires the prescription of a master standard agreement, under executive regulations, and allowing dealers to maintain bond inventory. This requires the CMA to revisit current dealers’ stringent capitalization requirement. The main legal issue was characterizing the repo contract as a purchase and repurchase agreement, not as collateralized loan. EFS legal outside counsel Dr. Ahmed Abu Ali delivered a draft legal opinion requested by EFS, in turn at the request of the CMA Chairman. EFS reviewed it with US Treasury Advisor Keith Krchak, in light of other countries and Egyptian bank opinions, in order to finalize it. After several meetings from June to December 2006, EFS Shamsnoor Abdul Aziz with US Treasury Advisor to MOF Keith Krchak, CMA Senior Advisor Dr. Ahmed Saad and CMA Legal Counsel Ms. Amina el Oteify, a finalized repo standard master agreement was delivered to the CMA Chairman for adoption and translation to Arabic.

Market-making – Upon request from the CMA Chairman, EFS Task 1 Senior Financial Advisor Manal Shalaby prepared a concept paper on market makers in the US market. The paper was presented to the CMA Chairman on June 1, 2006.

3.2.8 Enhance the legal and regulatory framework for financial leasing and factoring

Factoring. A set of documents was drafted to serve as a “discussion paper” for policy makers (GAFI, MOI) to grasp all regulatory issues and international best practices of factoring. Because factoring is usually a commercial activity and not licensed, the proposed framework addresses only licensing with a minimum capital requirement, with the expectation it can be reduced over time as the industry becomes more experienced. With this in mind, requirements were moved from the executive regulations to rules made by GAFI, thus allowing greater flexibility and responsiveness to business demands.

The draft rules and regulations were translated into Arabic by Finance Advisor Dr. Abdel Moniem El Tohamy, and were revised and re-drafted by a legislative draftsman, Mohamed Abdul Wahid Maher. The draft rules and regulations were delivered to Senior Advisor to the Minister of Investment Abdel Hamid Ibrahim, for presentation to the minister of investment and chairman of GAFI and subsequent re-draft in regulatory language.

Senior Legal Advisor Shamsnoor Abdul Aziz and Senior Financial Advisor Ahmed Hussein reviewed the Arabic version of Factoring Rules and Regulations drafted by Legal Advisor Mohamed Abdel Wahed. The final version proved satisfactory except for the requirement of a financial institution being a shareholder of a factor, contrary to EFS short-term advisor’s prior specific recommendation. However, the matter was brought to attention of and discussed with the draftsman, who confirmed such requirement will not impair the granting of license to the ten current serious applicants for a factor license.

The regulations and rules drafted by EFS were under review by GAFI for adoption by its Board of Directors. EFS also agreed to present draft regulation and rules to factoring stakeholders in a workshop sponsored by GAFI.

GAFI organized a discussion meeting with interested market participants on the draft EFS regulations and rules on factoring. The meeting of July 17, 2006 at GAFI was attended by Ahmed Hussein. Comments and concerns raised by participants in the meeting were focused on over-regulation and improper legal drafting of the regulations and rules, which removed the “light” version proposed by EFS. Subsequently, Senior Legal Advisor Shamsnoor Abdel Aziz and Ahmed Hussein thoroughly reviewed the draft regulations and rules, made comments and redrafted the proposed regulations and rules. This redrafted version offers flexibility in changing regulations and rules by GAFI in the future and provides management of factoring companies with flexibility in managing its business. The Board of Directors of General Authority for Investment and Free Zones (GAFI) approved the EFS draft regulations and rules on factoring. The executive regulations were presented to the MOI for approval and issuance.

Following adoption of the EFS regulations and rules, GAFI announced its approval of the incorporation and licensing of the first factoring company in Egypt in the free zone of Nasr City, with a paid-in capital of US\$5 million, to provide its services to Egyptian exporters in the free zone.

Leasing. EFS and FSVC coordinated their efforts to obtain policy decisions from GAFI: EFS was prepared to assist implement FSVC recommendations. This was followed by a joint tentative to schedule a meeting with GAFI. This was also followed by meetings initiated by EFS with GAFI –

the authority which houses the leasing registry – where EFS was requested by the GAFI Vice Chairperson to draft a proposal of EFS technical assistance to GAFI. The proposal outlined EFS' extensive legal, IT, operational, training and public awareness assistance that will develop leasing as an alternate financing tool for businesses, supported by a modernized collateral registry and operational procedures. In November 2006, EFS alerted the MOI Senior Financial Advisor to the status of the leasing reform.

Commodities market and futures exchange. Task Leader Ahmed Hussein met with the committee formed by MOI on assessing the viability of establishing a commodities exchange in Egypt. The committee is chaired by Senior Financial Advisor to MOI Mr. Abdel Hamid Ibrahim. The EFS HO Director Roberto Toso sent EFS relevant background materials on commodities risk management mechanisms for the use by the committee. Also, Ahmed Hussein has provided the committee with relevant background materials on commodities markets and policies.

At another meeting, DCOP & Senior commercial lawyer François Pépin and Ahmed Hussein met with Mr. Abdel Hamid Ibrahim, Senior Financial Advisor to MOI and Chairman of the MOI Working Group on Commodities Exchange, to discuss technical assistance required from EFS with respect to the Commodities Exchange and coordination with technical assistance to be provided by Financial Services Volunteers Corporation (FSVC). The meeting was attended by FSVC Country Director, Yomna Mostafa. EFS was requested to assist MOI with:

- Preparation of a preliminary study on commodities in Egypt, jointly with MOI;
- Propose operational framework for the commodities exchange and its regulator;
- Draft law, regulations and rules on the commodities exchange;
- OST for policy makers to USA commodities exchange(s);
- OST for operations officers of the Commodities Exchange and its regulator to a commodity exchange and regulatory authority in a developing country. FSVC will consider carrying out this OST on cost shared basis with MOI.

Technical assistance proposed by FSVC will be at the policy level and provided by one or two short visits. Mainly, FSVC offered to provide a conceptual outline of the legal and regulatory framework, and to subsequently assist MOI in reviewing EFS proposed legal, regulatory and operations frameworks.

Following that meeting, Ahmed Hussein and François Pépin met with FSVC's Country Director Yomna Moustafa, and her Program Officer, Rania Abdel Rehim, on September 20, 2006 to clarify and coordinate respective technical assistance to be provided to the MOI on the commodity and futures exchange.

A joint FSVC-EFS action plan was prepared by Francois following the meeting, and submitted to FSVC and the MOI Senior Advisor on September 21, with resumes of proposed candidates and the draft SOWs for two EFS assignments, one on the commodity market operations, and one on the legal, regulatory, and operational rules framework. FSVC will assist mostly on policy matters and EFS on implementation.

On December 10, EFS Commodity Market Advisor Bruce Brower began conducting his assessment of the commodity market in Egypt, with special attention to non-perishable agricultural commodities but well aware the exchange would be structured to accommodate non-agricultural commodities. The EFS team combined efforts with FSVC Regulatory Advisor Mrs. Andrea Corcoran, formerly former first director, commodity futures trading commission (CFTC) , Narender Rathore, Vice President, national commodity and derivatives exchange Ltd

(NCDEX) in Mumbai (National Commodity and Derivatives Exchange) who stayed in Egypt for one week. The joint team worked on developing conceptual framework and propose outline of an Egyptian commodities exchange and comparing various legal and regulatory frameworks. During the week, eleven meetings were held with the public and private sector: the investment authority, the ministry of agriculture, the holding company for cotton, Spinning and Weaving, the CIB and the stock exchange and MCDR. They also paid visits to the Arab African Bank and private sector companies such as Pico Agri, El Magrabi Group and Daltex. EFS François Pépin, Ahmed Hussein and Shamsnoor Abdul Aziz were assisting the team through their visit which ended with a presentation to the Minister of Investment.

In early 2007, the framework was accepted as the basis for the development of a commodities future exchange and EFS is assisting with the implementation.

KRA 3.3: Modernized Collateral Registry in Operations, to Secure Interest in Personal (Moveable) Property

3.3.1 Establish Collateral Registry Working Group

In November 2004, EFS Task 3 met with the former chairman of the Commercial Registry Authority (CRA) to seek guidance on the EFS initiative to establish a new registry or enhance the existing registry for interests in movable property. The former Chairman explained the role of the CRA in registering the pledge of moveable assets and that it is limited to commercial entities.

In the same month, EFS met Minister of Justice Counselor Farouk Awad and his Deputy to present EFS' assistance on secured lending and establishing a state-of-the-art collateral registry: this first attempt was not successful, and Task 3 attributes this to the MOJ's prime concern with the real property registry, and the fact this new concept of pledge without possession of moveable property does not exist in this civil law system. At this point, Task 3 took the view the collateral registry needs a true "sponsor" who understands the merit of this reform and the economic benefits of a modern registry, while MOJ's role is not to drive policy or reform but to provide proper legal foundation.

In December 2004, Task 3 then initiated a strategic discussion with Chairman Ziad Bahaa EIDin at GAFI, on best approaches to engage potentially interested parties and potential stakeholders in a collateral registry and putting together a plan of action. GAFI is the operator of the leasing registry which needs definite improvements. EFS concluded improving the existing leasing registry was likely to gradually pave the way to a full collateral registry, by adding other functions, rather than by proposing an entirely novel concept or a full-fledged collateral registry that have no current application or legal foundation. In June 2005, during a weekend workshop for judges in June 2005, Task 3 raised the matter with the GAFI Chairman: as a result, in December 2005 EFS made a detailed proposal to GAFI of technical assistance on the registry: unfortunately for EFS, GAFI's priority at the time was investments, not a leasing registry.

NFI Team then met with Task 1 Senior Financial Advisor Amal Ezz El Din and Task 4 Leader Marian Mishriki, to devise a strategy to interest counterparts in this task, the role of banks, where the registry can be located, and who are or could be our counterparts. The strategy was to contact the Ministries of Finance, Investment, and Justice, the CBE, and the largest public and private National Bank of Egypt and CIB, and present them with a short concept paper on the economic impact of a collateral registry, prepared by EFS expert short-term advisor.

In April and the Fall of 2006, Task 3 then met with Commercial International Bank (CIB) Chairperson and her staff to discuss the idea of the collateral registry and secured lending. It was eventually agreed a statement explaining current impediments to collateralizing movable property for obtaining finance, experiences of other countries in establishing a collateral registry, as well as necessary prerequisites for a registry's establishment be prepared. This was seen as useful to mobilize interested banks for an eventual demo or presentation by EFS short-term Collateral Registry Operations and Legal Advisor Mr. Yair Baranes. CIB offered to bring the matter to the attention of the Minister of Trade: at that point, EFS deemed appropriate not to proceed without first seeking the opportunity to present this matter to our formal counterpart the Ministry of Investment.

3.3.2 Present an Overall Vision for the Collateral Registry

Provided the proper counterparts are engaged, EFS would field its Collateral Registry Advisor, Yair Baranes to do a Collateral Registry presentation for the CBE and bank associations.

3.3.3 Assess Existing Registry

An EFS review of the Financial Leasing Law and its Executive Regulations to identify the existing legal and regulatory framework for financial leasing was completed. A meeting to review findings with the General Authority for Free Zones and Investments could not be arranged.

C. Required Deliverables Status

Task 3 Deliverables from ESF Project Contract

1. Establish registration procedures and confirm that appropriate procedures exist for their registration and for prompt registration of subsidiary notices and orders and removal of liens.
2. Establish a training program in the Ministry of Justice to provide technical training and curricula development for MOJ staff responsible for legal process related to enforcement of property registration and foreclosure, and registering security interests in moveable assets. Training program established in the legal principles and procedures of real estate finance transactions for judges, court experts and administrative staff, bailiffs and enforcement officers.
3. Creation of a system of secured interests in moveable property including a registry of security interests in movables (collateral registry) and draft model legislation on the processes of securing collateral.
4. Undertake analysis of various fixed-income instruments and investment vehicles including, but not limited to a) corporate and government bonds, b) factoring of receivables, c) leasing, d) real estate securities and e) unit trusts/mutual funds. Develop recommendations and support implementation of those options that are viable and likely to attract market interest.
5. Develop alternate mechanisms for the possible re-structuring of court units to provide specialized consideration of secured transactions. Establish a model, based on a decision of the MOJ, to address secured transactions within the legal and or court structure including design of procedures for execution and the resolution of disputes, involving security interests, priorities and rights to collateral, "repos" session and foreclosure.
6. Assist development of the legal and regulatory framework to allow full transfer of the underlying credit risk to the holder of the securities, with no recourse to the issuing institution.
7. Advise GOE and USAID on laws, procedures and regulations affecting the growth of Egyptian pension funds, insurance companies' reserves, and other potential sources of long-term finance and on allocation of such funds to investments in real-estate related assets.

Task 1 Deliverable Assumed by Task 3

8. Study and recommend changes or refinements to the legal and regulatory framework for financial intermediaries to act as trustees and servicing institutions for real estate-backed securities.

Under Section F of the EFS contract, there are seven Task 3 deliverables as shown in the box below. Included here is a concise discussion of deliverables already achieved, to be achieved in Year 3, and progress towards achieving the remainder over Years 3 and 4.

Deliverables 1, 2, 3 and 5 pertain to the collateral registry; 4 and 7 to new financial instruments; and 5 to securitization.

The Task 3 Team is hopeful that deliverables 1, 2, 3, and 5 will be initiated in Year 3. At this point, discussions and initiatives taken with MOJ and GAFI remain without positive response. However, banks and the CBE understand the benefits of a collateral registry, and EFS will pursue efforts already initiated to engage them as counterparts in Year 3 for completion in Year 4 (see KRA 3.30. and 3.40).

Deliverable 4 has been partially completed in Year 2 with the co-production by CMA and EFS, assisted by its subcontractor NASD, of the "CMA Strategy to Expand the Availability of Financial Instruments" (EFS Report #56, May 24, 2006). The strategy was immediately accepted by CMA,

who requested EFS assist in its implementation in Years 2 and 3, particularly for mutual funds (see Activity 3.20.1) and the secondary government bond market with “repos” and short-selling currently underway for completion by the end of Year 3 (see activity 3.20.3).

Deliverable 6 was completed in Year 2. Two securitized bonds of car and real estate loan portfolios were issued by Contact and the Egyptian Arab Land Bank between November 2005 and June 2006, for a total value of L.E. 640 million. EFS provided sustained direct assistance to both issuers and CMA throughout the process. Although these were “European-style” securitization (i.e. the assets remain on the books of the loan originator), the securitization process proved to work and is equally applicable to “American-style” securitization (i.e. no recourse to the loan originator) specifically addressed in the legal framework. This paves the way to other asset-backed securities, including mortgage-backed securities, the rules of which are being refined (see activity 3.10.2).

Deliverable 7 was initiated in 2006 with the identification of the legal and regulatory provisions impeding institutional investments (by insurance companies, pension funds, etc) in a broader range of securities that could constitute an appropriate portfolio, considering their risk-averse investment policies. Efforts are pursued to complete this deliverable in Year 3 (see activity 3.20.5).

In addition, the Task 3 Team assumes the entire responsibility for the Task 1 required Deliverable 8 that pertains to the secondary mortgage market because it is also an important element of investor protection for holders of any corporate bond (see Activity 3.11.2). Work for this deliverable will be initiated in Year 3 but completion is slated for Year 4, as legal and regulatory reform is a slow process, particularly since it is about introducing the Anglo-Saxon law concept of trusteeship into a civil law system.

TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM

A. Overview

Year 2 – 2006

Following EFS technical assistance to the CBE in 2005 to establish the rules and regulations for private sector credit bureaus, the CBE board of directors approved them in January 2006. The rules and regulations reflect a system for protection of consumers' rights, rules of exchange of information, and CBE's supervisory system, including approval by CBE to share some of its databases with the credit bureau.

- In 2006, EFS started working closely with CBE's IT department. EFS and the Information Technology (IT) department agreed on the working framework for developing system technical specifications for the credit bureau and an IT audit by the CBE. EFS continues to work with CBE in this area.
- Several training programs were conducted successfully in 2006. In January, EFS delivered a training program on the U.S. credit reporting framework. The program was delivered by Oscar Marquis, a legal adviser who specializes in consumer protection issues and credit bureaus. In June, a training program titled "Regulations of Credit Bureaus: The American Experience" was delivered in close cooperation with the Federal Trade Commission (FTC), the U.S. regulator of credit bureaus and the Federal Depository Insurance Corporation (FDIC), the regulator of U.S. banks. In July, two IT executives from CBE and the chief information officer from the credit bureau attended a training program in the U.S. on IT security audit.
- EFS drafted a membership agreement focused on data provision and use of the credit bureau that will be signed by ESTEALAM and its members. EFS also provided ESTEALAM with action plans for banks and non-banks to support the credit bureau to operate. A public awareness strategy (first draft) was also delivered. This included a fact sheet, design of the Web site and its technical content, messages addressing consumers and potential members, and advice on the establishment of a call center. Other support activities include advice on arranging a launch event on the occasion of signing a contract with D&B, press release development, and organizing meetings with advertising agencies to brand the credit bureau and establish its image.
- The first series of visits to non-bank entities was conducted successfully by EFS. The ultimate objective is to ensure that the first Egyptian credit bureau will serve market needs, be perceived as a nationwide effort, and be able to increase its membership base. Meetings were held with MOI, Capital Market Authority (CMA), Egyptian Insurance Supervisory Authority, General Authority for Foreign Investments, Mortgage Finance Authority (MFA), and a number of microfinance institutions/NGOs.
- Task 4 established contact with the Ministry of State for Administrative Development (MSAD), a counterpart through Task 2, that has access to national personal ID numbers through its supervision of the electronic government project and maintenance of national and economic databases. MSAD is willing in principle to provide national numbers to the credit bureau to ensure the accuracy of information.

- The first paper on capturing public record legal information was presented for discussion and delivered by experts from the Egyptian law firm Hassouna and Abou Ali.

Challenges

- Despite plans for the coexistence of two credit information systems (a private credit bureau and CBE registry) and the expected flow of information between them, they serve two different purposes: bank supervision for the public registry at the CBE, and assurance of quality credit information by the private sector.
- Establishing a private credit bureau is necessary but not sufficient for successful operation of private information systems. It will take time and commitment to ready the market to provide accurate, complete, and timely credit information to meet international standards and best practices of private credit bureaus worldwide.
- Limited knowledge. More members of the credit bureau mean a greater supply of information and an increased number of users. More inquiries, in turn, should lower the costs of each inquiry. People who understand the circumstances may be prompted to act sooner rather than later.

B. Activity Status

KRA 4.1 Strengthen the Capacity of CBE for Oversight of Private Information Systems and Protection of Consumer Rights

4.1.1 Assist the CBE in Consolidating its Role as Credit Bureau Regulator and Licensor of goods and services, it would be possible with written consumer consent.

Rules and Regulations. In January 2006, the board of Directors of the Central Bank approved the rules and regulations. They cover specifically rules organizing the operations of credit bureaus, rules organizing data exchange between the financial institutions listed in article 99 and the Central Bank Supervisory System. The rules and regulations include also a system for protection of consumer rights.

4.1.4 Assist the CBE to Consolidate its Role as the Authority that will Oversee Consumer Protection as Pertains to Credit Bureau Operations

In July 2006, Training on regulations of credit bureaus and protection of consumer rights was delivered in cooperation with the Federal Trade Commission and the Federal Deposit Insurance Corporation. The two American institutions have authority by the Congress to ensure the implementation of FCRA (Fair Credit Reporting Act), the American legislation of credit bureaus. While FTC oversees the protection of consumer rights in general, the FDIC ensures that banks abide by credit bureau regulations, including consumer rights too. The training conducted ensured the transfer of the American experience to the local market and also included a session on the Egyptian credit bureau model by the task leader. The participants includes a large number from the Central Bank of Egypt from the different departments that will have a role to play in regulating credit bureaus as well as a good representations of potential members from the financial sector in Egypt

4.1.6 Review and Assess CBE IT Needs

EFS has had regular meetings with IT department and has agreed on a working framework for the IT standards of credit bureau with special focus on information security and disaster recovery. EFS also provided IT department with reference IT books, obtained from the United

States, on information securities policies, roles and responsibilities, IT service level agreements, information security management, information security risk analysis, business continuity planning, all of which cover very important topics that are highly relevant to the work of the IT department and which will be used as a guidance for developing in detail IT requirements of credit bureaus and the CBE audit system.

4.1.7 Training

“Credit Reporting Framework in the U.S.” was delivered by ST Credit Bureau Legal Advisor Oscar Marquis, in January 2006. The topics included legal and legislative frameworks in the United States, overview of agreements used by credit bureaus in the United States. The training was attended by Central Bank of Egypt and financial institutions.

Regulations of Credit Bureaus: The American Experience, including the Egyptian credit bureau model completed successfully as reported above.

Security and Audit Course. Training on security and audit frameworks (411: SANS 17799 Security and Audit Frame Works) was attended by two officers from the IT department of the Central Bank and the chief information officers of the private credit bureau in July 2006 in the U.S. The participants’ opinion was that it is highly relevant and applicable and will ensure the security of information flows with the credit bureaus.

4.1.8 Assist CBE in determining its role as an information provider

CBE plays an important role in the credit bureau model since the public registry is still maintained by it and will continue to run parallel to the credit bureau. EFS presented a number of important issues to several officials with the Central Bank in order to support necessary policy changes.

KRA 4.2 Private Sector Credit Bureau(s) Operational

The credit bureau announced D & B as the technology provider in July 2006 and are presently setting up their hardware and software and working to build their databases in order to be operational by mid-2007 or the third quarter.

4.2.5 Study and determine best mechanism for government agencies and nonbank financial institutions to provide and share information

Visits to nonbank financial institutions regulators conducted EFS successfully conducted a number of visits to the Ministry of investment and all the non bank financial regulators falling under it. EFS informed visited institutions how non bank financial institutions can use the credit bureau. (REP #58 The Egyptian Credit Bureau and Non Bank Financial Institutions).

MOU for ESTEALAM and Non-bank Entities. EFS prepared a Memorandum of Understanding and proposed that the Credit Bureau signs it with non-bank entities to cover the period of study that will be conducted by the credit bureau prior to the finalization of business deals.

Membership Agreement prepared by EFS. Following the completion of the work of the legal committee, EFS was requested by the Central Bank and the Credit Bureau to draft an agreement which was done by EFS legal adviser and was subject to review by other EFS legal advisers, the credit bureau legal adviser and the Central Bank.

Studies of the Insurance Sector. EFS has taken steps to identify an insurance adviser to conduct a study on the information needs of insurance companies and the suitability of their

databases. Several meetings were held with the potential insurance adviser and discussions of the forthcoming scope of work took place.

4.2.6 Analyze the Quality and Timeliness of Demographic and Other Essential Information Controlled by State Agencies

EFS plays an important role in bringing together the Ministry of State for Administrative Development, specifically the National and Economic Database program, and the credit bureau to enable the latter to obtain important information on consumers such as national numbers and other personal information

4.2.7 Provide Guidance and Participate in Legal Committee

A legal committee was formed by the credit bureau. It included legal directors from banks and the Central Bank. EFS' role was to provide guidance and support. A working plan for this committee was prepared by EFS and approved by the credit bureau. In the last months of 2005 and early months of 2006, the committee under EFS guidance, reviewed studies and legal documentation prepared on credit bureau operations, credit bureau rules and regulations. The committee members were also exposed to legal issues and agreements used by credit bureaus in other markets. Several sessions were held for this committee. There were PowerPoint presentations delivered by EFS advisers including the task leader, Arab Legal Consultants, ST Senior Credit Bureau Advisor Miguel Llenas, and Oscar Marquis during the training program conducted by him titled: Credit reporting Framework in the United States.

During the sessions conducted, EFS provided the legal committee members with extensive documentation and sample of legal agreement that credit bureau uses in its dealing with data furnishers and users. A final workshop was held in February 2006 for the legal committee to work on drafting an agreement for the credit bureau.

4.2.9 Identify and Analyze Public Record Information

Public record legal information such as bankruptcies, insolvencies, judgments pertaining to checks unpaid and other information is an important component of the credit report and is useful to banks, the insurance sector and many other organizations. In 2006, EFS short term legal adviser Hassouna and Abou Ali completed a legal research representing a first discussion paper of the issue. This included the laws and sources of information. This was followed by a second scope of work to continue work in this direction. Meanwhile EFS task four leader researched market practices in collecting such information. This included identification of potential sources of some information such as the Federation of Egyptian Chambers of Commerce and an Egyptian software developer company. EFS has held some meetings with the Ministry of Justice and the Judicial Information Center in order to develop a working relation and find mechanisms for the credit bureau to capture information from Egyptian courts. EFS is also working closely with its counterpart the Ministry of State for Administrative Development which oversees the National & Economic Database project to obtain its assistance in facilitating for the credit bureau obtaining government databases.

4.2.10 Conduct a study/review of microfinance institutions and SFD

EFS initiated a series of meetings with many microfinance players in order to bring the microfinance segment closer to the credit bureau and ensure that the credit bureau serves them as well. Visits were conducted to the large microfinance institutions in Cairo and Alexandria. Contacts were also established with Sanabl, the Arab regional network of MFIs as well as the Egyptian network which is presently under formation.

EFS worked closely with USAID Microfinance Institutions. EFS provided the mentioned project with data fields normally required by a private credit bureau and USAID Microfinance project actually conducted the survey on the systems that MFIs used. The results of the survey were very encouraging and at the credit bureau request, EFS started to arrange meetings with MFIs to formally introduce the credit bureau to them. Presently the credit bureau is attempting to review the documents used by MFIs and conduct studies on their IT systems.

KRA 4.3 System of Protection in Place for Consumer Rights

4.3.1 Review Egyptian Laws as they pertain to the Protection of Consumer Rights

Following legal research conducted by EFS in 2005 on privacy rights and the technical assistance provided to the Central Bank to establish a system for protection of consumer rights, finally and in January 2006 a system for protection of consumer rights was approved as part of the rules and regulations governing credit bureaus.

The rules and regulations give the consumers the right to request their credit report, dispute information if found erroneous. There are also procedures that credit bureaus have to follow in investigating complains internally or obliging information providers to do the same and reply within specific time frames.

4.3.2 Assist CBE to Build and Strengthen a Consumer Protection Unit

During the training program conducted by EFS in conjunction with the Federal Trade Commission on Regulations of Credit Bureaus, participants from Central Bank were exposed to procedures for protecting consumer rights and for assessing large numbers of consumer complaints in order to draw conclusions with respect to changes recommended in credit bureau procedures and changes in measures that consumers need to take to protect their own rights.

4.3.3 Assist CBE and the credit bureau to develop a public awareness strategy focusing on focus on consumers

First Draft Communication Workplan Completed. In 2006 and for several months EFS worked very closely with credit bureau officials to develop: (1) a communication work plan for members, consumers, a fact sheet (2) Website design, technical content and RFP. Short term PA adviser Eric Abbott contributed to the work done and a first draft was submitted to the credit bureau and USAID.

Media relations Training for All Credit Bureau Staff including the Managing Director, the Chairman and one board member successfully completed. The training was conducted on how to establish and maintain media relations, the different media tools and when to use each, crisis management, public relations and advertising. Contributors to this event was one guest speakers from one of the known Egyptian newspaper and the Chairman of a PA company with prior experience in the financial sector in addition to a short term adviser from CID.

PA support to Credit Bureau preparations for the First Conference on credit bureau in Egypt, organized by Al Ma. This included press releases and speeches in the first credit bureau conference held in November 2006 provided by an EFS team composed of Task 4 consultant Karim Hamdy, Rania Rashed, EFS short term communication adviser and Noha El Haddad, EFS chief translator and editor met the credit bureau to assist them with write ups, communication and linguistic issues for the materials. Assistance also covered press releases, the brochure, preparation of media talking points, speeches, and suggestions for a media kit, etc.

PA Advisory Assistance to Credit Bureau in managing its working relation with Tarek Nour Communication. EFS Senior PA Advisor Dina Osman, and Karim Hamdy from Task 4 attend meetings with the credit bureau in order to provide advice, input and contribute to the ongoing discussions with respect to the PA campaign and preparation of a sponsor kit.

C. Required Deliverables Status

The following are the three deliverables relevant to Task 4 from section F of the contract. Under each deliverable we note its status.

1. Develop model legislation and regulatory procedures for protection of consumers' rights for credit bureau operations.

Much of the regulatory framework was put in place and approved by the CBE board in early 2006. In 2007, EFS expects to complete its work by developing detailed IT regulations and standards for credit bureau operations, as well as IT examination guidelines. These will be used as a reference for CBE officers to conduct IT audit checks to ensure the secrecy and security of the system and informational flows.

2. Develop and implement an operational plan that will provide advice and training to the credit bureau regulatory agency that will have responsibility for rule-making and enforcement regarding the operation of private credit bureaus.

In 2006, two training programs were conducted (see description, above). In 2007, EFS expects to provide technical assistance to CBE on conducting on-site and off-site examinations and ensuring full adherence by the credit bureau and banks to the relevant regulations and advanced training on information security.

3. Implementation of a program that provides management advice and technical expertise to establish a private credit bureau that results in minimized implementation costs while accelerating adoption of sound practices based on established international standards.

In 2006, EFS provided credit bureau with model membership contracts for use with potential members and action plans for banks and non-bank institutions to support the operationalization of the credit bureau. In 2007, EFS will continue to provide technical assistance for the credit bureau that serves to:

- Ensure that the credit bureau operates using international standards by conducting legal research to recommend measures that capture public record legal information.
- Educate consumers about their rights.
- Ensure that borrower information is comprehensive by collecting information from banks and non bank sources.
- Produce accurate credit reports through the use of an identifier.
- Attract non-bank entities to be members; this will contribute to the financial sustainability and independence of the credit bureau.

ANNEX 1: 2006 LIST OF TECHNICAL REPORTS BY TASK

Report #	Task	Activity 1	Activity 2	Date of Report	Report/Presentation Title
35	1	1.4.4		2/8/2006	Egypt Affordable Home Production Program (AHPP)
36	1	1.1		2/26/2006	MFA Manual for Supervision and Examination Programs
38	4	4.1.2		2/12/2006	Regulatory Oversight Procedures Manual
39	4	4.1.1	4.2.2	5/1/2006	Rules, Regulations and Licensing for Egyptian Credit Bureaus
40	2	2.1.12		2/8/2006	Summary of EFS Concepts & Proposals for Egyptian Cadastral System
43	2	2.3.7		1/15/2006	Guide to Field Work for First Registration in Nasr City, Sixth of October, and El Maadi
45	2			3/6/2006	Survey Equipment Procurement Specifications
46	2	2.1.16		3/6/2006	Recommendations to Expedite Mortgage Registration Under Sigueal El-Shaksi
48	2	2.2.8		2/26/2006	Egypt Title Registration System Functional Requirements Specification
49	1	1.4.1.1		3/15/2006	Enhancement of Credit Policy and Procedures of El Taamir Mortgage Finance Company
50	2	2.2.10		3/5/2006	Egypt Title Registration System Paper Document Analysis
51	1	1.2.2		3/30/2006	Strengthening Egyptian Mortgage Contract Compliance & Consumer Protection w/Legislative Amendments
52	2	2.3.21		Apr-06	Proposed Training Course for REPD Members on Publicity and Notarization Operations
53	2	2.3.6	2.3.8	Mar-06	Draft Training Material to Support First Registration (EFS Methodology)
54	4	4.2.8		2/17/2006	Credit Bureau Legal Consideration: Part One
55	4	4.2.8		1/18/2006	Legal Consideration: Part Two: Credit Reporting Framework in the United States
56	3	3.1.1		5/24/2006	CMA Strategy to Expand the Availability of Financial Markets
57	2	2.2.05	2.2.10	3/29/2006	Egypt Title Registration System: Data Catalog
58	4	4.2.05		Jun-06	The Egyptian Credit Bureau and Non Bank Financial Institutions
59	1	1.1.7		5/24/2006	Proposed Regulations for Egyptian Liquidity Facility
60	1	1.3.2		5/19/2006	Mortgage Finance Training and Capacity Building
61	4	4.1.4	4.1.7	Jul-06	Regulations of Credit Bureaus: The American Experience Including the Egyptian Credit Bureau Model
63	3	3.1.2		4/30/2006	Partial Credit Guarantee for Upper Egypt
64	2	2.3.19		3/21/2006	ESA Certificate in Cadastral Surveying
65	4	4.3.3		Mar-July 2006	Public Awareness Strategy for the Egyptian Credit Bureau: First Draft
66	2	2.1		8/2/2006	Assessment of Registration Activities Proposed by Task 2: From September

					2006 to Project Completion
67	4	4.2.5		8/23/2006	Membership agreement for Credit Bureau
69	1	1.3.3		3/10/2006	Business Associations Technical Assistance
71	2	2.10.1		10/5/2006	Required Legal Measures to Modify and Implement a Parcel-Based Deed System

ANNEX 2: 2006 TRAINING COURSES

EFS Task	Title of Training	Training Method	Resource	Language	Category	Prts/Event	# of Events	Total Prts.	Location	No. of Days	Time Frame	Results
3	Factoring Regulatory Framework	Workshop	Abdel Hamid Ibrahim and Ziad Bahas El Din	English with Arabic translation	GAFI, Factoring Companies and Banks	43	1	20	Egypt	1	May 30, 2006	Introduced the new legal framework of factoring operations in Egypt
4	Credit Bureaus and Legal Issues (Credit Reporting Framework in the United States)	Workshop	Oscar Marquis	English / Arabic	ESTLEAM Legal Director, CBE legal personnel and Legal Directors in banks	35	1	35	Egypt	3	January 16 -18, 2006	Assessed legal risks when a credit bureau deals with other parties. Prepared contracts from information provider/user perspectives. Increased awareness of legal issues related to consumer rights, etc
4	Credit Bureau and Legal Agreements	Workshop	Egypt Financial Services	Aabic	Bank Legal Directors	9	1	9	Ain El Sokhna, Egypt	3	February 15-17, 2006	The workshop supported the operational success of the private credit bureau by making it possible to enter into contractual agreements with the credit bureau. It allowed legal departments of banks to have increased ability to deal with the credit bureau.
1	Association Board Orientation Workshop	Workshop	ST Association Development Advisor, Larry Milner	English with Arabic Translation	3 real estate partner association board members (7+7+9) and staff (3) = 23 +3 = 28 few members' non board could be added Some non partner Associations could be included such as EYBA	30	1	30	Egypt	1	Feb 21-22, 2006	Updated partner association Board of Directors with latest trends and techniques in association management. Introduced the professional practices in association operation such as; board – staff issues, strategic planning, communication and marketing, fund raising, policy advocacy, and financial management. Oriented association leaders to the importance of developing programs and activities that create solid membership, develop value added menu of services, sustainable income generating projects, and long lasting institutions able to produce results in a democratic society within a market-driven economy.
1	Basic Computer Skills	Short Course	Local IT Training Provider	Arabic	MFA staff	41	3	32	Egypt	3-5	Q 2 - 3, 2006	The trainees became familiar with the computer components and basics of using them.
1	Windows	Short Course	Local IT Training Provider	Arabic	MFA staff	41	3	35	Egypt	6	Q 2 - 3, 2006	The trainees became familiar with using files on different storage devices and understand the File system architecture, are familiar with using Windows user interface, start menu, functions and icons, and are capable of simple tuning the computer according to his/her needs by using the Windows Control Panel
1	Orientation to MS-Office	Short Course	Local IT Training Provider	Arabic	MFA staff	7	1	5	Egypt	3-5	Q 2 - 3, 2006	The trainees were familiarized with the main features of Microsoft Office.
1	Word	Short Course	Local IT Training Provider	Arabic	MFA middle management and junior staff	17	2	34	Egypt	5-6	Q 2 - 3, 2006	The trainee are able to open, edit, format and save Word documents, edit documents in Arabic / English and print them, create and edit tables
1	Excel	Short Course	Local IT Training Provider	Arabic	MFA middle management and junior staff	22	2	44	Egypt	5-6	Q 2 - 3, 2006	The trainees can create, edit and format spreadsheets, program cells using excel function, use charts, use common features of Excel
1	English Language Training	Short course	AMIDEAST/CDC/AUC	English	MFA	11	1	10-12	Egypt	30	Q 2 - 3, 2006	Provided a better understanding of the English language and ability to use it in the workplace.
1	English Language Training	Short course	AMIDEAST/CDC/AUC	English	MFA	12	1	10-12	Egypt	30	Q 2 - 3, 2006	Provided a better understanding of the English language and ability to use it in the workplace.

EFS Task	Title of Training	Training Method	Resource	Language	Category	Prts/Event	# of Events	Total Prts.	Location	No. of Days	Time Frame	Results
4	Consumer protection rights and regulation of credit bureaus	Short Course	A regulator from the Department of Financial Services (FTC or FSVC)	English	Estelam and CBE	30	1	15	Egypt	5	June 25 -29, 2006	Ensures the accuracy and privacy of information kept by credit bureaus and other consumer reporting agencies, and have consumers know their right in knowing what information these entities are distributing about them to creditors, insurance companies and employers.
1	Market Analysis, Highest and Best Use	Short course	Egyptian Association for Real Estate Appraisers Instructors	Arabic	Appraisers	17	2	80-100	Egypt	2	March 19-20, 2006	Provided the information required to make a reliable highest and best-use decision and showed where this information is found and how to interpret it. Procedures for mapping the market area for a subject property and ways of reading that market were presented and participants learned essential links between market analysis, highest and best use analysis, application of the three approaches to value, and the final opinion of value.
1	Appraisal International Valuation Standards	Workshop	Appraisal Institute (Chicago)	English	Real Estate Appraisers	17	3	60-80	Egypt	1	March 21, 2006	Cadre of lender-accepted appraisers; knowledge of valuation techniques and market assessment. Drafted plan to organize appraiser association.
1	Basic Appraisal Principles - TOT	Short course	Association Instructors and Appraisal Institute experts	English	Appraisers from Egyptian Association for Real Estate Appraisals	20	1	10	Egypt	5	March 22 -23, 2006	The course guided participants through the economic concepts and basic appraisal principles that build a solid foundation for an ethical and competent appraisal practice.
1	Basic Appraisal Procedures - TOT	Short course	Association Instructors and Appraisal Institute experts	English	Appraisers from Egyptian Association for Real Estate Appraisals	20	1	10	Egypt	5	March 26-27, 2006	All eight steps in the valuation process were examined with added detail on each of the three approaches to value. In-depth case studies were used to apply the concepts and a Uniform Residential Appraisal Report was introduced.
1	Report Writing and Case Study - TOT	Short course	Association Instructors and Appraisal Institute experts	English	Appraisers from Egyptian Association for Real Estate Appraisals	20	1	10	Egypt	2	March 28, 2006	Covered the application of appraisal theory, principles and techniques. The course featured a case study that took participants from the initial client contact through to the final value estimate and report.
1	Foreclosure Process	Workshop	Two judges and Marc Albert	Arabic	Judges	21	2	20-25	Egypt	2	May 23 - 25, 2006	Judges learned the laws and steps involved with foreclosure
1	Loan Origination	Short course	ShoreBank	English	Potential trainers and participants from EFS partner associations	20	1	10	Egypt	3	June 25-27, 2006	
1	Underwriting standards and procedures	Short course	ShoreBank	English	Commercial bank lenders, newly created finance companies, other lenders	20	1	10	Egypt	3	July 2-4, 2006	Created efficient and disciplined lending departments. Emphasis on credit assessment, procedures, and oversight.
1	Loan Servicing and Fraud Detection	Short course	ShoreBank	English	Potential trainers and participants from EFS partner associations	10	1	10	Egypt	3	September 17 - 21, 2006	

ANNEX 3: 2006 OVERSEAS TRAINING EVENTS

Title of Training	Training Method	Resource	Language	Category	Ppts/Event	# of Events	Total Ppts.	Location	No. of Days	Time Frame	Results
World Bank Conference on Housing Finance in Emerging Markets	Conference	World Bank	English	Advisor to the Minister of Housing	1	1	1	U.S	6	March 14 - 19, 2006	Addressed many of the challenges facing financial policymakers and practitioners dealing with housing finance.
International Housing Finance Program	Short Course	Wharton	English	MFA/MCI/MCH	5	1	5	U.S.	15	June 4 - 18, 2006	Better understanding of technical issues, greater appreciation of internationally accepted risk management standards for underwriting housing loans, broader grasp of policy issues and better knowledge base of training available in the market and how to prioritize training needs for those regulated in the Egyptian market.
Audit 411: SANS 17799 Security and Audit Frame Works	Short Course	The SANS Institute	English	Estelam and CBE	3	1	3	U.S.	6	July 5 - 13, 2006	Training on Network Security Audit enabled the Estelam network to be compliant with the CBE regulations concerning the Credit Bureau activities.
28th World Congress of the International Union for Housing Finance	Short Course	CMHC International	English	MFA	2	1	2	Canada	6	Sep. 18-23, 2006	Provided different perspectives on Basel II, Regulatory Framework for Mortgage Insurance, Role of Government, Primary & Secondary market, the housing finance industry and consumers, and offered some of the world's leading experts share their vision of Housing Finance and Affordability. They gained an understanding of international best practices in housing finance.

ANNEX 4: 2006 PUBLIC AWARENESS ACTIVITIES

Task	Year	Counterpart	Outreach	Work Completed
1	2	MFA	Logo	design and production
1	2	MFA	MFA Corporate Identity Materials	amendments to original design with new finalized logo, production of MFA staff business cards, A4 and American sized envelopes, letterhead, folders, notepads
1	2	MFA	MFA Fact Sheet	fact sheet design, content development, production and delivery to MFA
1	2	MFA	MFA Banners	coordination with the designer and the print store to deliver appropriate design on time
1	2	MFA	MFA Communication Strategy	communication audit and strategy formulation in light of MoI umbrella strategy, priority listing of key activities with suggested times, extracted a presentation from it to be used with MoI if needed
1	2	MFA	MFA Media Talking Points	content development in light of media audit and hot market issues, regularly updated in separate document, a summary of key talking points was developed for MFA Media Forum
1	2	MFA	MFA Portal	provided assistance in content development in terms of design, highlighting key messages that needed to be mentioned in the portal, breakdown of FAQs, editing technical content to suit different audiences, provided assistance in portal design to comply with other MFA material and Own Your Home branding
1	2	MFA	MFA Call Center Training and Promotion Plan	provided training to call center staff on communication and how to receive and respond to calls, implemented a promotional campaign for the portal and the call center through conducting a 30 second radio ad on Negoum FM, 50 spots during August and September, coordinated with the designer to publish a call center and portal ad in Ahrum newspaper for 7 consecutive days and in Al Mal newspaper for 3 issues, coordinated with the designer to design and post an online ad on the Yellow Pages website in English and Arabic, coordinated with the designer for the print ad of the Yellow Pages coming out June 2007, coordinated to print promotional stickers including the portal address and call center number, developed a press release for the launching of the portal and call center on May 29, 2006, developed a call center and portal posting letter circulated to mortgage finance companies and banks requesting them to include MFA portal and call center number in their publications, registered MFA call and portal at a number of free online business directories, communicated with Dr. Mazen Fayed at MoI to promote
1	2	MFA	MFA Communication Presentation	compiled master presentation from various resources to be tailored for multiple events and to suit different audiences, developed in English and Arabic
1	2	MFA	Media Coverage	arranged for media coverage opportunities with key media vehicles (Al Ahrum), proposed media interview schedules with priorities in light of MFA communication objective and media strategy, hunted and developed press releases for various opportunities such as MFA forum, GSF event highlighting MFA goals and objectives, developed press release on delivering 300 housing units in Qattamaya to the first group, ceremony was attended by MFA chairman and COO, GSF Chairman and Taamir Mortgage Company VP, facilitated interviews for Chairman Saleh with Egypt Today, Al Mal for World Economic Forum, Daily Star, developed press releases on the ELD event, MFA regulatory role, Cairo Trade Fair and MFA's participation in it, the announcement of licensing the third mortgage finance company "Tamweel", on the new agreement signed between MoH and GSF regarding the launching of 3700 residential units in areas of El Shorok, 6th of October, and Damitta
1	2	MFA	MOI Flyer Reprint	received amendments on the flyer text from the MFA COO, assisted Ops manager in getting quotations for the reprint job, conveyed final changes to the Ops Manager for the selected designer, received 1500 copies on March 19, 2006 and delivered March 20 to MFA, another reprint completed September 10, 2006
1	2	MFA	MOI Poster Reprint	received amendments on the flyer text from the MFA COO, assisted Ops manager in getting quotations for the reprint job, conveyed final changes to the Ops Manager for the selected designer, received 1000 copies on September 10, 2006
1	2	MFA	Information Kit	prepared information kit brief and budget, contacted several designers and presented several proposed designs to MFA, assisted mortgage team in content development, managed translation, editing & copywriting of content, conveyed content amendments to the selected designer,
1	2	MFA	Developers Survey	updated brief
1	2	MFA	MFA Communication Specialist	provided MFA Deputy Chairman with several potential candidates' resumes who have been interviewed by the PA team

1	2	MFA	Public Service Ads	developed a brief & RFP for the campaign and distributed to a number of advertising agencies, briefing sessions have been made to all interested agencies, proposals and concept development were presented to MFA management, agencies were short-listed to 3, evaluation committee was established and selected one agency, TV campaign started in October 2006
1	2	MFA	Public Awareness Quarterly Plan	PA team developed a quarterly plan for PA activities to be conducted to support MFA communication objectives
4	2	ESTEALAM	PA Activity Plan	presented to the credit bureau Chairman the proposed PA activity plan
4	2	ESTEALAM	Credit Bureau Fact Sheet	fact sheet brief development, content development
4	2	ESTEALAM	Suppliers of goods and services survey	suggested to task leader survey as a time-effective solution to going around meeting with each group of suppliers separately, brief developed for task leader for review
4	2	ESTEALAM	Credit Bureau Communications Program	delivered draft to task leader on deadline specified by credit bureau executive director highlighting priorities, added branding concerns to cover note drafted by task leader
4	2	ESTEALAM	ESTEALAM Branding	scheduled meetings for ESTEALAM CFO with advertising agencies to handle branding and promotional materials for the credit bureau, scheduled meetings with major national and international TV advertising agencies to discuss possibility of launching a financial planning PA and advertising campaign
Project	2		EFS banners	produced 2 EFS roll-up banners
Project	2			managed the production of multiple issues in English and Arabic
Project	2		Training Course Certificates	designed and produced
Project	2		USAID Branding Check	provided conceptual design of all project material to be used in seeking USAID approval on branding
Project	2		Own Your Home Presentation	developed presentation on background of Own Your Home brand suggesting maintenance and enhancement to be used with USAID
Project	2		EFS Corporate Identity	EFS new corporate identity in compliance with updated USAID branding standards, updated business cards, letterhead, blocknotes, name tags, folders, PowerPoint presentation template
Task	Year	Counterpart	Outreach	Work Completed
1	2	MFA	MFA Media Education Program	program development, suggested topics and speakers, incorporated media calls and feedback from media events, kicked-off venue logistics and 3 different budget scenarios were prepared, developed a press release on the Media Education Session and was disseminated to the media during the event
1	2	MFA	MFA Media Forum	planned and managed event, drafted full event brief highlighting best format given client objectives, collected feedback from attendees and included in event report, collected clippings of media coverage and included in event report, event report delivered to client
1	2	MFA	Amcham Conference	PA short-term consultant facilitated the exposure of MFA during the event through distribution of publications and the announcement of MFA portal online and the call center
1	2	MFA	MFA/Mol Stakeholders Event	planned and managed event, prepared and compiled event folder content, handled TV & press interviews with the Minister of Investment and MFA Chairman and other stakeholders, prepared event report, managed recording of TV programs covered interviews conducted, communicated with the client all newspapers and magazines published coverage on the event and interviews
4	2	ESTEALAM	Credit Bureau Launching Ceremony	provided assistance in hotel logistics and venue booking, provided CB with a specialized VIP media list to be invited to event, reviewed and edited a press release on contracting D&B company for providing IT services and technical know-how to ESTEALAM

1	2	MFA	MFA Media Education Program	program development, suggested topics and speakers, incorporated media calls and feedback from media events, kicked-off venue logistics and 3 different budget scenarios were prepared, developed a press release on the Media Education Session and was disseminated to the media during the event
1	2	MFA	MFA Media Forum	planned and managed event, drafted full event brief highlighting best format given client objectives, collected feedback from attendees and included in event report, collected clippings of media coverage and included in event report, event report delivered to client
1	2	MFA	Amcham Conference	PA short-term consultant facilitated the exposure of MFA during the event through distribution of publications and the announcement of MFA portal online and the call center
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