



## EFS – Power of Property Unlocked



EFS team during their closeout ceremony

The USAID-funded Egypt Financial Services (EFS) project was established to create the conditions that would enable Egypt to legally transform real and personal property assets into resources for productive investment in the economy. In July 2010, after six years of the work, EFS concluded its activities to mark the completion of a whole level of Egyptian financial service improvement, and pave the way to a new level of Egyptian financial sector reform.

To reach this overarching goal, EFS worked with the Government of Egypt and the private sector to achieve three primary objectives: (i) development of a primary mortgage market, (ii) enabling a secondary mortgage market, and (iii) increasing access to low-cost enterprise credit. Egyptian Government counterparts that EFS supported in undertaking these key reforms included the Central Bank of Egypt, the Egyptian Financial Supervisory Authority (previously three separate authorities), Ministries of Justice, Investment, and State for Administrative Development, and General Authority for Investment and Free Zones. EFS also supported

private sector cooperating partners in introducing new products and services. These include Associations of Mortgage Finance, Egyptian Appraisers, and Mortgage Brokers; as well as Egyptian Stock Exchange, Misr for Central Clearing, Egyptian Banking Institute, and banks.

With assistance from EFS, Egypt's development of institutions, procedures, and systems for property registration and credit information sharing —has brought international recognition of the country as a continually improving place to do business. In 2010 the World Bank named Egypt one of the “top ten reformers” in its annual Doing Business survey for the third consecutive year. The survey compares the relative ease or difficulty of performing the standardized transactions required to conduct business legally around the world.

In 2005, shortly after the start of the EFS project, a total of 7 procedures, 193 days, and 6.8 percent of the total property value were required to legally register property in Egypt according to the Doing Business report. By 2010, according to Doing Business, legal registration of property in Egypt still required 7 procedures, but the number of days to complete those procedures had dropped to 72 days, and the cost of registration had been reduced to 0.9 percent of total property value. Also in 2005, Doing Business noted that the depth of Egypt's credit information was rated 2 out of a possible 6 points; the public credit information registry maintained by the Central Bank of Egypt



covered only 1 percent of the adult population; and there was no private credit bureau sharing credit information. By 2010, the survey rated the depth of Egypt's credit information at 6 points; public registry reached 2.5 percent of the adult population; and a new private-sector credit bureau included information on 8.2 percent of adults.

“There is certainly a strong positive association between the activity of the EFS project and the increase of mortgage lending and the issuance of asset-backed securities” — *2008 Midterm Evaluation of EFS, The Mitchell Group and AECOM*

EFS's key achievements that contributed to a better financial picture in Egypt were improvement of access to finance and development of primary and a secondary mortgage markets. EFS, the Government of Egypt and the private sector introduced the first private credit bureau and introduced new financial instruments to attract new investment in Egypt's economy. A model registration office was developed in Mokattam—one of Cairo's steadily developing urban areas—with the support of the Government of Egypt to facilitate real property registration and replicate in other areas.

By creating a legal and regulatory framework, and increasing the professionalism of the real estate industry, EFS helped the Government of Egypt develop the primary mortgage market. The primary mortgage market boasts mortgage brokers, surveyors and appraisers with strengthened skills, as well as licensed, regulated mortgage finance companies, uniform foreclosure

processes, and educated homebuyers. To help mortgage finance companies access lower-cost, long-term funding for mortgage lending, EFS also worked with the Capital Market Authority to develop a secondary mortgage market. EFS and CMA worked together to issue the first asset-backed securities, as well as to develop the regulation for mortgage-backed securities.

With EFS assistance, Egypt has started to put its wealth of immovable property to work as productive investments in the economy. Six mortgage finance companies (MFCs) and 14 banks are now engaged in primary mortgage lending activities, and five issuers of asset-backed securities have brought 12 securitization bonds totaling LE 9.1 billion to the market. Perhaps the most important success of the work undertaken by the Government of Egypt and the Egyptian private sector, with support and assistance from EFS, is the impact on the lives of individual Egyptians who are buying homes, registering property, starting and expanding businesses, and working in the real estate finance industry as a result of these efforts.

The remarkable improvements that EFS assisted with made possible further developments to the Egyptian financial sector. The new USAID funded Egypt's Competitiveness Program, launched in October 2010, is able now to support promotion of the nonbanking supervision by Egyptian financial regulator. The better access to finance and financial regulatory environment that EFS enabled is also paving the way for USAID-ECP to work on facilitating



access to finance for SMEs and pension regulatory reform.

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