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**IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD/7747)**

ON A LOAN

IN THE AMOUNT OF US\$ 300 MILLION EQUIVALENT

**TO
ARAB REPUBLIC OF EGYPT**

**FOR A
AFFORDABLE MORTGAGE FINANCE PROGRAM DEVELOPMENT POLICY LOAN**

August 31, 2016

**Finance and Markets Global Practice
Egypt, Yemen and Djibouti Country Department
Middle East and North Africa Region**

ARAB REPUBLIC OF EGYPT

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of April 30, 2016)

Currency Unit	Egyptian Pound
US\$ 1.00	8.8572

FISCAL YEAR

GOVERNMENT FISCAL YEAR 16

July 1st – June 30th

ABBREVIATIONS AND ACRONYMS

ARM	Adjustable Rate Mortgage	ISN	Interim Strategy Note
CAS	Country Assistance Strategy	IFC	International Finance Corporation
CBE	Central Bank of Egypt	IT	Information Technology
CAPMAS	Central Agency for Public Mobilization and Statistics	MFA	Mortgage Finance Authority
CPF	Country Partnership Framework	MFC	Mortgage Finance Companies
CPI	Consumer Price Index	MFF	Mortgage Finance Fund
DPL	Development Policy Loan	M&E	Monitoring and Evaluation
EFSA	Egyptian Financial Supervisory Authority	MOHUUD	Ministry of Housing, Utilities, and Urban Development
EMRC	Egyptian Mortgage Refinance	NHP	National Housing Program
FDI	Foreign Direct Investment	NUCA	New Urban Committees Authority
FSAP	Financial Sector Assessment Program	PDO	Program Development Objectives
FY	Fiscal Year	PforR	Program for Results
GDP	Gross Domestic Product	PPP	Public-Private Partnership
GOE	Government of Egypt	SCAF	Supreme Council for Armed Forces
GSF	Guarantee and Subsidy Fund	SCD	Systematic Country Diagnostic
HDB	Housing Development Bank	SHF	Social Housing Fund
HPI	House Price Index	TTL	Task Team Leader
HSPC	Housing Subsidy Policy Committee	USAID	United States Agency for
ICR	Implementation completion and Results Report	Y-O-Y	Year over Year

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ARAB REPUBLIC OF EGYPT

AFFORDABLE MORTGAGE FINANCE PROGRAM DEVELOPMENT POLICY LOAN

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A. Basic Information			
Country:	Egypt, Arab Republic of	Program Name:	Affordable Mortgage Finance DPL
Program ID:	P112346	L/C/TF Number(s):	IBRD-77470
ICR Date:	08/31/2016	ICR Type:	Core ICR
Lending Instrument:	DPL	Borrower:	Arab Republic of Egypt
Original Total Commitment:	USD 300.00M	Disbursed Amount:	USD 300.00M
Revised Amount:	USD 300.00M		
Implementing Agencies: Mortgage Finance Fund			
Co financiers and Other External Partners: USAID			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/08/2009	Effectiveness:	06/10/2010	04/27/2010
Appraisal:	03/16/2009	Restructuring(s):	NA	NA
Approval:	09/24/2009	Mid-term Review:	NA	NA
		Closing:	12/31/2013	03/31/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	High
Bank Performance:	Satisfactory

Borrower Performance:	Satisfactory
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C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA):	NA
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	NA
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Housing finance	100	100

Theme Code (as % of total Bank financing)		
Corporate governance	33	33

Other Financial Sector Development	54	54
Urban planning and housing policy	13	13

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Hafez Ghanem	Daniela Gressani
Country Director:	Asad Alam	Emmanuel Mbi
Practice Manager/Manager:	Jean Pesme	Zoubida Allaoua
Program Team Leader:	Laila Abdelkader	Sahar Nasr
ICR Team Leader:	Karim Badr; Ghada Ismail	
ICR Primary Author:	Karim Badr; Ghada Ismail	

F. Results Framework Analysis

Program Development Objectives (from Financing Agreement)

The Program's objective is to expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. Specifically, the Program aims at moving towards a more inclusive, transparent and efficient demand-side subsidy program. The Program aims to improve the targeting of subsidies by linking them to affordable mortgage loans.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
PDO Indicator 1:	Increase in market-based mortgage loans.			
Value (quantitative or qualitative)	1,314			5,069
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target achieved. The total market based mortgage loans increased from LE 1.3 billion to 5 billion with an average annual growth rate of 47 percent.			
PDO Indicator 2:	Increase in the proportion of market-based mortgage loans with a demand side subsidy provided to households with monthly incomes below LE 2500, relative to the total number of such mortgage loans made.			
Value (quantitative or qualitative)	0			90%
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target achieved. The share of total mortgage linked subsidy to households with monthly income below LE 2500 reached 90% of the total mortgage loans provided to such category of households. This figure highlights the significance of the demand side subsidy introduced by the program to increase affordability for low income households.			
PDO Indicator 3:	Decrease in average amount of housing subsidy per unit for middle income households			
Value (quantitative or qualitative)	54,200			19,500
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target achieved. The average savings in housing subsidy per unit for middle income households decreased by 34,700. These savings resulted from the shift from the distorted supply side subsidy (estimated at LE 54,200 per unit) to the demand side subsidy (average LE 19,500 per unit)			
PDO Indicator4:	Annual update of program parameters.			
Value (quantitative or qualitative)	N.A			The parameters of the program were modified several times
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target achieved. The parameters of the program were approved on December 30, 2010, and verified on February 13, 2011, post-revolution, by the Mortgage Finance			

	Fund's ¹ (MFF) Board of Directors. Amendment to Real Estate Finance Law 148 of 2001, which was approved in January 2014, gave MFF's Board the authority to decide on subsidy parameters and establish the criteria for low-income housing projects. As such, subsidy program parameters were set and adjusted by the Board of MFF with no need for Annual amendments to Ministerial decrees.
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(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
IO Indicator 1:	Timely and accurate time-series data points to revise the main parameters of the mortgage subsidies program			
Value (quantitative or qualitative)	No data points	Revising the Main parameters of the mortgage subsidies program		Revising the Main parameters of the mortgage subsidies program
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	<ul style="list-style-type: none"> - Target achieved. The parameters of the program were reviewed by the Mortgage Finance Fund (MFF) Board on a monthly basis. MFF's Board of Directors has representatives from the Central Bank of Egypt (CBE), Ministry of Finance, the Egyptian Financial Supervisory Authority (EFSA), Ministry of Housing, Ministry of investment, and two independent market experts. MFF reviewed the parameters of the program in light of recent developments related to levels of income and the price of units. A steering committee was formed with representatives from Ministry of Housing, Banks, Mortgage companies, MFF and Governor of CBE to review interest rates. - The parameters of the program were modified several times by the MFF's Board of Directors. This led to multiple revisions over time. For example, prices for semi furnished unit rose from LE 100,000 to LE 125,000 and for furnished units from LE 125,000 to LE 150,000; monthly income levels for married couples rose from LE 2,500 to LE 3,500 and for single beneficiaries from LE 1,750 to LE 2,500. Moreover, aligned with best practices, the subsidy system changed from "subsidy on installments" to "down payment subsidy" while interest rates were adjusted to 7% by the Central Bank of Egypt for all low income households. Interest rate was further adjusted to 5% for those with monthly income levels below LE 1,400. 			
IO Indicator 2:	Number of MFF staff dedicated to the mortgage subsidy program			
Value (quantitative or Qualitative)	12	90		140

¹ The Guarantee and Subsidy Fund (GSF) was renamed to The Mortgage Finance Fund (MFF) after the separation of the guarantee and subsidy functions; accordingly, GSF will be referred to as MFF throughout the document.

Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	- Target 155% achieved. MFF had 75 staff members and outsourced 25 employees from the Central Agency for Public Mobilization and Statistics (CAPMAS) for data entry and 40 employees for the call center. By project closing, 140 staff members were dedicated to the mortgage subsidy program.			
IO Indicator 3:	Number of subsidies to number of MFF staff dedicated to the mortgage subsidy program			
Value (quantitative or Qualitative)	No data points	720		320
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target not achieved. Despite the increase in number of staff, the target of reaching 65,000 subsidized loan was not met. Please refer to indicator 4 for details.			
IO Indicator 4:	Disbursement of subsidized loans per year			
Value (quantitative or Qualitative)	4,000	65,000		24,538
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target 37.7% achieved. MFF made approximately 10,000 subsidies before the CBE stimulus package, and approved 14,000 subsidies since the CBE program came into effect. By project closing, the project disbursed a total of 24,000 subsidized loan. Please refer to section 3.2 for details.			
IO Indicator 5:	Number of banks participating in program			
Value (quantitative or Qualitative)	1	5		14
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target 280% achieved.			
IO Indicator 6:	Number of Mortgage Finance Companies (MFCs) participating in program			
Value (quantitative or Qualitative)	2	6		4
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target 67% achieved. Four companies are participating in the program.			
IO Indicator 7:	Average turnaround time to process a mortgage subsidy application			
Value (quantitative or Qualitative)	6 weeks	3 weeks		3 weeks
Date achieved	06/30/2009	12/31/2013		03/31/2015

Comments (incl. % achievement)	Target fully achieved. MFF had worked closely with the Ministry of Housing, Utilities, and Urban Development (MOHUUD) and banks on simplifying the procedures of obtaining the mortgage subsidy for applicants.			
IO Indicator 8:	Submission of quarterly reports on process and program indicators			
Value (quantitative or Qualitative)	No Quarterly Report	Quarterly Report		Quarterly Report
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target fully achieved. 17 reports were submitted.			
IO Indicator 9:	Time to register a real estate title			
Value (quantitative or Qualitative)	3 months	1 month		1 month
Date achieved	06/30/2009	12/31/2013		03/23/2015
Comments (incl. % achievement)	Target fully achieved. Measures taken to simplify registration included: (i) lowering the fees with a ceiling of LE 2000; and (ii) automatically registering the unit if the land is registered			
IO Indicator 10:	Improved housing sector information leading to house-price index for selected urban areas.			
Value (quantitative or Qualitative)	Limited Housing Market Information	Better Housing Market Information		House Price Index to Urban Areas
Date achieved	06/30/2009	12/31/2013		03/31/2015
Comments (incl. % achievement)	Target partially achieved. The Housing Development Bank (HDB) had developed the first House Price Index (HPI) in Egypt. However, the index was not published and thus does not inform housing market participants on trends in housing values/prices. Please refer to section 3.2 for details.			

G. Ratings of Program Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	03/31/2010	Satisfactory	Satisfactory	0.00
2	09/05/2010	Satisfactory	Satisfactory	99.25
3	10/05/2011	Satisfactory	Satisfactory	199.25
4	09/21/2011	Satisfactory	Satisfactory	199.25
5	06/10/2012	Satisfactory	Satisfactory	199.25
6	11/24/2012	Satisfactory	Satisfactory	199.25
7	09/09/2013	Satisfactory	Satisfactory	199.25
8	05/28/2014	Satisfactory	Satisfactory	199.25
9	11/20/2014	Satisfactory	Satisfactory	199.25
10	03/31/2015	Satisfactory	Satisfactory	299.25

H. Restructuring (if any)

Not Applicable.

1. Program Context, Development Objectives and Design

1. *The Affordable Mortgage Finance Development policy Loan (DPL) to Egypt in the amount of US\$ 300 million was approved by the Board on September 24, 2009.* The project was declared effective on April 27, 2010. The DPL supported key components of Egypt's strategy that aimed to expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. To this end, the DPL was structured around three pillars with specific actions specified under each pillar: (i) strengthen the legal, regulatory, and institutional framework for the mortgage finance subsidy program; (ii) develop an effective and efficient mortgage finance subsidies mechanism; and (iii) improve the institutional framework to enhance the transparency and targeting of housing subsidies.

2. *The DPL consisted of three tranches.* The First tranche was disbursed following Board approval, which was conditional on the realization of specific reforms. The second and third tranches were released upon the fulfilment of a detailed set of measures described below in section 2.1.

1.1. Context at Appraisal

Macroeconomic Framework

3. *Egypt experienced five years of economic boom over the years preceding the approval of the project.* The Government of Egypt (GoE) has implemented structural reforms including trade liberalization, a complete overhaul of the tax system, restructuring of the financial sector, and privatization of state-owned enterprises and public banks. This led to an improvement in investment climate which, supported by a favorable global economic environment, yielded a strong private-sector supply response. GDP growth rate increased from an average of 3.5 percent during FY01-04 to around 7 percent during FY06-08, a record over the previous twenty years. This period also witnessed a decline in the unemployment rate from 11.2 percent in 2005 to 8.7 percent in 2007, and a decline in gross public debt ratios from over 100 percent of GDP in 2005 to 75 percent in 2007. Moreover, Egypt accumulated net international reserves amounting to US\$43 billion during FY05-10.

4. *High growth registered until 2008 came at a price: rising inflation.* At the same time, the economy was hit by supply shocks such as the 2008 international food crisis and the world fuel price increases. Expanding domestic demand and the significant rise in monetary growth following large capital inflows also sustained these inflationary pressures. As a consequence, inflation of domestic food prices, which constitutes almost half the Consumer Price Index (CPI) basket, and Egypt's overall CPI reached double-digit levels starting January 2008. The peak was in August 2008 when the overall CPI and food inflation rates increased to 25.6 and 35.5 percent, respectively, the highest level in 19 years.

5. *In late 2008, the global financial crisis followed by a global economic slowdown undermined the supportive external conditions for growth.* The real sector of the economy suffered a direct impact of the slowing aggregate external demand. In FY09, real GDP growth declined to 4.7 percent versus 7.2 percent in FY08. Consequently, the unemployment rate increased to 9.4 from 8.7 percent. Official international reserves had declined by almost US\$5

billion in FY09. In an attempt to mitigate the adverse effects of the global crisis, the government announced LE 15.5 billion (US\$2.7 billion and 1.6 percent of GDP) fiscal stimulus package to support economic growth in FY09. Egypt's economic growth was on a recovery path, from the mild effects of the global financial crisis, registering 5.1 percent growth in FY10 and 5.6 percent in the first half of FY11 (up from 4.7 percent in FY09). Growth was driven mostly by domestic consumption and robust expansion of sectors such as construction, tourism, and communication.

6. *After the 2011 revolution, the Egyptian economy went into a tailspin.* Economic growth slumped to 1.8 and 2.2 percent in FY11 and FY12 respectively, down from 5.1 percent in FY10. Inflation declined due to regression in domestic demand. The CPI recorded 11 and 8.6 percent in FY11 and FY12 respectively, down from 11.7 in FY10. As a result of the deterioration in the economic performance, unemployment soared to reach 12.2 percent in 2011 and 13.5 percent in 2012, up from 9.4 percent in 2010. Poverty also followed suit where it increased in FY11 to reach 25.2 percent and 26.3 in FY13, compared to 21.6 percent in FY09.

Structural/Sector Background

7. *Prior to the Affordable Mortgage finance program, the GOE had provided supply side subsidies through the staking of poorly efficient programs to help improve access to formal home ownership by low and middle- income households.* Prior to the program, housing subsidies in Egypt were as follows:

8. **Supply-Side Subsidy.** This included (i) direct subsidies to developers or local governments for units/plots constructed under the National Housing Project (NHP); (ii) direct subsidies for infrastructure and public services provision; (iii) construction costs supplemented by New Urban Committees Authority (NUCA) and local government; and (iv) indirect subsidies such as the subsidized state land (desert land), which was usually allocated to government authorities at zero cost and to developers at prices well below market price for all social housing developments.

9. **Demand- Side Subsidy (Pilot).** The demand side subsidy that was linked to the National Housing Project (NHP) was non- inclusive and ill-targeted. Beneficiaries of the NHP were eligible to demand side upfront subsidy of around LE 15,000, in addition to another interest rate subsidy resulting from below market mortgage interest rate of 10.5% estimated at LE 5,700 per unit. These subsidies were applicable to all beneficiaries regardless of their income levels, which resulted to subsidizing undeserved groups. Furthermore, the magnitude of this scheme was very limited as only 60,000 subsidies were delivered out of 500,000 units. The subsidy was not linked to a mortgage program. (Table 1 shows a summary of subsidies per unit).

10. **Targeted Beneficiaries:** Government implemented housing programs under the NHP were aimed at households with a maximum income well below the median income at the time (LE 640 based on a maximum monthly payment of LE 160 per month at 25 percent of income), without a system to adjust income targets over time. However, this income group could not afford a newly built house with a market rate loan, even with the typical supply-side subsidy package. Public banks offered loans below market rate (10.5 percent, while the prevailing interest rate was above 13 percent) given that the private lenders did not serve this income level.

Table 1 –Estimated subsidies per unit

Subsidy	Subsidy Value (LE)
Demand Side Direct Subsidy	15,000
Interest Rate Subsidy	5,700
Land cost subsidy (LE 70 per m ²) Indirect Subsidy	12,500
Direct Subsidy for Infrastructure	13,000
Construction cost Supplement (indirect)	8,000
Total Subsidy per unit	54,200

11. *Subsidy targeting and allocation procedures used for previous subsidy programs were a main concern.* The absence of monitoring mechanisms resulted in the malfunctioning of the scheme through subsidizing undeserved groups, double subsidization for the same beneficiary, and gross mis-targeting of subsidies to households who could pay cash for a large part of the house cost as the subsidies were not linked to a mortgage program. The government allocated land to private developers for social housing projects; however, these private developers did not deliver as agreed on these social objectives, with the consequence that land was often not utilized in a timely fashion, and a large tract of serviced land remained vacant.

12. *Supply side housing subsidies were imposing a heavy burden on public finances, making such efforts less and less sustainable.* There were significant fiscal and macroeconomic consequences of a poorly functioning housing system. Over the past 25 years, the public sector in Egypt built as much as 36 percent (1.26 million units) of all formal housing units supplied in urban areas. This came at a significant fiscal cost of LE 26.4 billion, not including additional off-budget subsidies related to the cost of land and off-site infrastructure (trunk water, wastewater, power, and phone lines). Moreover, while the Ministry of Finance (MOF) had allocated over LE 1 billion per year towards the NHP, it was estimated that the true direct cost of the program could reach a minimum of LE 2.8 billion per year, or around 0.4 percent of GDP in 2008.

13. *Other factors such as the high vacancy rates, rent control, and informality hindered the development of a more inclusive housing sector.* By the time of appraisal, almost 3.7 million urban housing units were either vacant or closed; an estimated 42 percent of the housing stock in Greater Cairo was frozen under rent control; and some 45 percent of new urban housing over the previous decade was produced by the informal sector. While these three distortions were not entirely additive (e.g. an informally built unit may be held vacant and/or under rent control), it was estimated that 50–70 percent of the urban housing stock in Egypt suffered from such market constraints. These combined market weaknesses directly affected the affordability of housing which was further compounded by the rapid rise in construction costs and property values.

14. *Moreover, access to affordable housing and home ownership for most Egyptian households at project appraisal was greatly constrained by an undeveloped housing finance system.* The banking sector offered very little formal housing finance to households although a few commercial banks—both state-owned and private—provided a limited amount of loans to

homebuyers, mostly as part of their retail activities or of their lending to developers, by using collateral other than mortgage pledges. A few developers had also been providing term financing under a system of deferred installment sale contracts, but these did not offer secure or favorable conditions for borrowers, and housing affordability was not ensured because loan maturities were too short. Although the banks had plenty of liquidity in 2006, they were reluctant to extend mortgage loans for two main reasons: (i) the maturity mismatch between their short term deposits and long term mortgage loans; and (ii) the lack of registered titles (in part due to the costly and time consuming process to obtain good title).

15. *Egypt has been suffering a persistent gap between incomes and the cost of new housing even at the middle income level.* In 2009, it was estimated that formal home-ownership without subsidy was only accessible for households with income above LE 2,500, (i.e. only the top 25 percent of the household income distribution).

16. *To address these constraints, the government worked on developing a comprehensive enabling environment for a modern residential mortgage market.* Reforms undertaken by the government during project preparation and appraisal, included: (i) amending the Executive Regulation of the Real Estate Finance Law 148 of 2001 with the objective of revisiting the definition of low-income borrowers that are eligible to subsidies from LE 21,000 to LE 30,000, as well as allowing for Adjustable Rate Mortgage (ARM) and determining the indices to be used in pricing; (ii) strengthening the legal and institutional framework for mortgage securities through amendments to the Capital Markets Law to facilitate the issuance of alternative forms of financial instruments, such as mortgage bonds and securitization; (iii) establishing a new regulatory institution for real estate activities, the Mortgage Finance Authority (MFA), creating a secure and strong regulatory environment to protect the interest of lenders and consumers; and (iv) establishing the Mortgage Finance Fund (MFF) by Presidential Decree in 2003 as part of the MFA, the regulator for the newly established mortgage finance companies (MFCs) under the Ministry of Investment. In addition, specialized economic courts were established, and there was adequate enforcement of foreclosures. The first private credit bureau was developed and for the first time in Egypt, non-bank financial institutions, such as mortgage companies, would have access to credit worthiness information in a timely manner, improving the underwriting process and lowering credit risk for lenders. Consumer protection and financial literacy were a priority through setting minimum disclosure standards pertaining to loan information, and familiarizing consumers with the new financial products.

17. *The establishment of the Mortgage Finance Fund (MFF) was an important initial step in moving towards a more transparent and effective system of upfront mortgage linked subsidies.* From inception, the MFF was mandated to develop innovative products to stimulate the private housing finance industry to grow in scale and expand down-market. The MFF had by law three types of instruments to fulfill its mission: (i) issuing guarantees/credit enhancement (with the full faith and credit of the GOE); (ii) providing upfront subsidies to qualifying beneficiaries; and (iii) engaging in physical development of low-income housing for which it would receive government land free of charge.² The guarantee component of the MFF

² MFF was capitalized with 1,200 residential units, roughly LE 60 million in cash and LE 274 million in receivables. The residential units were sold to qualifying beneficiaries who also obtained upfront

provided a three-month nonpayment insurance for which it charged a 1 percent fee (on the loan amount) to lenders. As defined in the Real Estate Finance Law 148 of 2001, the guarantee program was never capitalized separately and was considered as an additional cost by lenders without providing much credit risk protection. The subsidy component was targeted to low-income households. The subsidy was a flat LE 10,000 subsidy to households (later increased to LE 15,000) towards the purchase of a low-cost house and was linked to a mortgage provided by MFCs. While the demand subsidy program was an improvement over the subsidies to developers provided by the NHP, it needed further development as its budget was constrained, its design was inefficient and administrative procedures between MFF, households, and lenders were cumbersome. As a result, the program remained small.

18. *Moreover, the creation of Egyptian Mortgage Refinance Company (EMRC) allowed non-banking financial institutions to enter into market-based mortgage lending targeting low and middle income households.* The establishment of the first liquidity facility in Egypt for mortgage finance (under EMRC mandate) enabled qualified mortgage lenders to access term refinancing for their mortgage loans and to better manage the risks of mortgage lending. EMRC played a role in the refinancing of subsidized mortgage loans for the low-income and middle-income households, contributing to attaining a more inclusive system. However, despite the considerable progress made, the market structure and infrastructure for a comprehensive, well-functioning mortgage finance system was not complete and further work was required.

19. *Against this background, the Bank prepared the Affordable Mortgage Finance Project to respond to the Government's request to* strengthen the regulatory and institutional framework for the mortgage market increasing access to mortgage loans for low and middle income households and improving housing affordability. Specifically, the program aimed at moving towards a more inclusive, transparent and efficient demand-side subsidy program.

Rationale for Bank assistance

20. *This project addressed two key strategic objectives of the 2006–2009 Country Assistance Strategy (CAS) (Report No. 32190-EG) discussed by the World Bank's Board of Executive Directors in May 2005; and the 2008 CAS Progress Report (Report No. 43476-EG), discussed by the World Bank's Board of Executive Directors in June 2008;* specifically facilitating private sector development through improving financial sector competitiveness and efficiency and promoting inclusive growth and equity.

21. *The proposed operation supported a major policy shift of the GOE regarding affordable housing.* Affordable housing was and continues to be a priority sector for the GOE. National accounts show that the Egyptian economy has been investing 1.8 percent of GDP, on average, in housing over the past two decades. The Development Policy Loan (DPL) operation was in response to the GOE's request to further develop affordable housing by eliminating the direct subsidy to the housing developer and issuing instead a transparent direct subsidy to qualifying beneficiaries through the MFF, the Program's implementing agency. While the subsidy was administered by the Government, the idea was to deliver it in partnership with

subsidies and were matched by mortgage lenders. With amendments to Law 148 in 2014, this function of MFF was eliminated.

private sector lenders. This allowed the Government to focus on its regulatory and supervisory role while the private sector (developers and lenders) provided the housing units and the financing through mortgages.

22. *The project brought best practice expertise.* In particular, the Bank provided technical support to help the GOE implement a demand oriented household subsidy linked to commercial mortgage credit that can generate a supply response in both new and existing housing markets. The Bank had also provided the government with technical advice to strengthen the legal, regulatory and institutional framework for the mortgage finance subsidy program. Moreover, this project was part of an integrated package of the World Bank Group support to develop and improve the performance of the financial sector in Egypt. This included the First, Second and Third Financial Sector Development Policy Loans (DPL I, II, and III)³, which aimed at reforming the financial sector, and improving the institutional infrastructure. The operation was closely linked as well to the Mortgage Finance Project (US 37.1million) that was approved by the Board in July 2006, which aimed at establishing the first mortgage finance liquidity facility in Egypt, the EMRC. The Mortgage Finance Project and this DPL were mutually reinforcing as the triggers identified under this operation addressed impediments to the development of the mortgage market.

23. *This project was highly relevant before the 2011 revolution but became particularly important and timely post-revolution.* The operation was closely aligned with the 2012 Interim Strategy Note (ISN) for Egypt (2012-2014) (Report No. 66443-EG), discussed by the World Bank's Board of Executive Directors in June 2012, which entailed a different way of doing business. The project addressed the "fostering inclusion" pillar of the ISN ensuring broader financial access for disadvantaged segments of the population—women and youth, as well as lagging geographical regions. The Project's objective was also aligned with the World Bank Group's (WBG) regional framework and strategy for the Middle East and North Africa, which evolved to respond to the events of the Arab Spring focusing engagement on inclusion, job creation and sustainable private sector-led growth.

1.2. Original Program Development Objectives (PDO), Policy Area, and Key Indicators

24. *The main developmental objective of the Affordable Mortgage DPL was to* expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. Specifically, the Program aimed at moving towards a more inclusive, transparent and efficient demand-side subsidy program. The Program also aimed to improve the targeting of subsidies by linking them to affordable mortgage loans.

25. *Project outcomes were to be measured by the following key indicators pertaining to each pillar of the program:*

³ DPL I (P088877) approved by the Board in June 2006, DPL II (P094551) approved in May 2008, and DPLIII (P120470) was approved in May 2010

Pillar I: Strengthening the legal, regulatory, and institutional framework for the mortgage finance subsidy program: (i) timely and accurate time-series data points to revise the main parameters of the mortgage subsidies program; (ii) number of MFF staff dedicated to the mortgage subsidy program; (iii) number of subsidies-to-number of MFF staff dedicated to the mortgage subsidy program; and (iv) number of institutions using mortgage insurance.

Pillar II: Developing an effective and efficient mortgage finance subsidies mechanism: (v) disbursement of subsidized loans; (vi) number and variety of financial institutions participating in program; (vii) number and variety of private developers; (viii) average turnaround time to process a mortgage subsidy application; and (ix) submission of quarterly reports on process and program indicators

Pillar III: Improving the institutional framework to enhance transparency and targeting of housing subsidies: (x) time to register a real estate title; (xi) size of reallocated land, relative to total size land that is still unutilized past contract deadline; (xii) reliable and periodic household income indicator to ensure adequate targeting; and (xiii) improved housing sector information leading to house-price index for selected urban areas.

1.3. Revised PDO and Key Indicators:

26. The PDO and key indicators were not revised during project implementation.

1.4. Original Policy Areas Supported by the Program

27. ***The three original program areas are the three mutually enforcing pillars described above.*** The first pillar included measures to create a robust demand driven and credit linked subsidy scheme for creditworthy but underserved low and middle income groups. The second pillar focused on actions that aimed at creating implementation systems that allow the program to be implemented in new, as well as, existing urban areas. Finally, the third pillar comprised measures to improve the institutional framework, with the objective of enhancing transparency and targeting of housing subsidies by eliminating implicit subsidies by government lenders and direct subsidies to developers, and preparing a schedule for the gradual decrease in supply side subsidies for land and infrastructure.

1.5. Revised Policy Areas

28. The policy areas were not revised during the lifetime of the operation.

1.6. Other significant changes

29. ***There was only one change made to the program.*** The DPL closing date was extended from December 31, 2013 to December 31, 2014, then March 31, 2015 in order to allow the release of the third tranche (US\$ 100 million), once the macroeconomic framework would be consistent with the objectives of the program. The team confirmed that the requirements of OP/BP 13.30 related to the extension of closing dates had been met. Specifically, as required under the OP (paragraph 3): (i) the project objectives continued to be achievable; (ii) the performance of the Borrower and other project implementing agencies were satisfactory; and (iii) the Borrower had prepared a specific action plan acceptable to the Bank to complete the

project. In January 2015, compliance with the conditions for the release of the third tranche was verified by the World Bank supervision mission, after receiving and reviewing the necessary evidence to confirm compliance.

2. Key Factors Affecting Implementation and Outcomes

2.1. Program Performance

30. The multi tranche project of US\$ 300 million was approved by the Executive Directors on September 24, 2009. The project was signed and declared effective on December 12, 2009 and April 27, 2010 respectively. All prior policy actions had been met before Board approval. The Program was on track, and all the necessary policy measures to strengthen the legal, regulatory and institutional framework for an effective and efficient housing subsidy mechanism were met as per the below table. Accordingly, the first tranche of US\$100 million was released on June 7, 2010, and the second tranche was released on July 14, 2011. The third tranche was delayed due to the political upheavals and macroeconomic instability following the revolution. On March 3, 2015, the third and last tranche of the DPL was released once the macroeconomic framework came back in line with the objectives of the program.

Table 2 –Expected and Actual dates of tranche release

Tranche #	Amount	Expected Release Date	Actual Release Date	Release
<i>Tranche 1</i>	US\$ 100million	01-June-2010	07-June- 2010	Regular
<i>Tranche 2</i>	US\$100 million	01-June-2011	14-July-2011	Regular
<i>Tranche 3</i>	US\$100 million	30- June-2013	03-March- 2015	Regular

Table 3- List of mandatory actions for tranche release under the legal agreement

Tranche 1	
<i>List conditions from Legal Agreement/ Program Document</i>	Status
Enactment of Joint Ministerial Decrees to establish the Housing Finance Subsidy Policy Committee and to determine the core features of the subsidy program	Met
Issuance of a Joint Ministerial Memo from the Minister of Investment and Minister of Housing Utilities and Urban Development, to separate functions and staff for subsidy and guarantee operations of MFF.	Met
Issuance of a Joint Ministerial Memo by the Minister of Investment and Minister of Housing, Utilities and Urban Development No. 1864 halting the property development role of MFF.	Met
Adoption by MFF’s Board and endorsement by the Minister of Investment of the operational manual for the Affordable Mortgage Finance Program	Met
Issuance of a Joint Ministerial Memo from the Minister of Investment and Minister of Housing, Utilities and Urban Development No. 1864 indicating that MFF is the implementing agency for the Affordable Mortgage Subsidy Program.	Met
Implementation of fast-track property registration for all mortgaged properties under the Affordable Mortgage Finance Program	Met

Introduction of measures to withdraw previously allocated but unutilized land for affordable housing.	Met
Establishment of a tracking system to eliminate double allocations to households Between the proposed mortgage finance subsidy scheme and any other scheme.	Met
A draft amendment to Real Estate Finance Law 148 of 2001, adjusting the debt payment to income ratio from 25% to 33% has been submitted to the Cabinet of Ministers.	Met
A Prime Ministerial Decree No. 1864 adjusting the maximum income level for subsidy beneficiaries to LE 2,500 monthly income for households has been issued.	Met
An analysis of the housing demand studies of main urban areas and placing the data in the public domain has been completed.	Met
Enacting Article 6 of Building Law No. 119 for year 2008, creating an entity with the mandate of collecting housing market information	Met
Tranche 2	
<i>List conditions from Legal Agreement/ Program Document</i>	Status
Condition 1: Strengthening the legal, regulatory and institutional framework for the mortgage finance subsidy program through determination of the subsidy parameters in line with changes in macroeconomic setting and housing sector changes	Met
Condition 2: Developing an effective and efficient mortgage finance subsidy mechanism through establishment by Ministry of Investment of on- and off-site monitoring and evaluation systems	Met
Condition 3: Improvement of the institutional framework to enhance transparency and targeting of housing subsidies through compilation of housing market information	Met
Tranche 3	
<i>List conditions from Legal Agreement/ Program Document</i>	Status
Condition 1: Strengthening of the legal, regulatory and institutional framework for the Mortgage Finance Subsidies Program by introduction of a mortgage insurance or guarantee function.	Met
Condition 2: Further development of an effective and efficient mortgage finance subsidy mechanism through taking into account the results of the first impact evaluation.	Met
Condition 3: Improvement of the institutional framework to enhance transparency and targeting of housing subsidies through expansion of the housing market information database, by inclusion of a house price list by sector in main urban areas.	Met

2.2. Major Factors Affecting Implementation:

31. Several factors have contributed to the successful implementation of the program.

Adequacy of Government's Commitment

32. *The Government's commitment to improve accessibility and affordability for low and middle-income households was evident in the undertaking of long-awaited key legal and regulatory reforms, most notably:* (i) improving building codes; (ii) introducing regularization of informal areas; (iii) initiating reform of subsidies; (iv) issuing a Ministerial Decree

streamlining land and property registration in urban areas and the registration procedures; (v) establishing a Resolution Committee to settle debatable land contracts; (vi) expanding housing options for the lowest income groups; (vii) ratifying the amendments of the Real Estate Finance Law 148 of 2001 stipulating foreclosure procedures and allowing greater flexibility in setting new limits to the proportion of income to be allocated to mortgage payments and in establishing qualifying income levels for mortgage-linked subsidies; (viii) improving the housing sector information, by issuing a new housing-price index. These reforms were complemented by the strengthening of the institutional framework for social housing.

Soundness of Background Analysis

33. *The design and implementation of this DPL were significantly enhanced by the analytical work carried out.* The analytical underpinnings of the project incorporated several World Bank finance studies in the operation, including the 2008 Financial Sector Assessment Program (FSAP) Update, the 2007 report on ‘Access to Finance and Economic Growth’, the 2008 IFC ‘Financing Homes report’, which recommended that enhancing access to affordable housing for the poor and improving housing finance subsidies should be given high priority, and the 2007 ‘Finance for All: Policies and Pitfalls in Expanding Access’ report. Major studies were also conducted by the Bank on urban development issues and the housing sector in Egypt, including: the 2006 ‘Egypt Public Land Management Strategy’, the 2007 ‘Analysis of Housing Supply Mechanisms’, and the 2007 ‘Moving from a Program-Based to a Policy-Based Approach to Housing in Egypt’. These studies showed the inefficiencies in current land allocation, land planning and building regulations, and made recommendations for change. These studies also concluded that the urban housing crisis in Egypt was not necessarily about scarcity of housing, but about distortions in the market that have caused a mismatch between demand and supply. The problem manifested itself in the high vacancy rates and oversupply of formal housing for upper-middle income groups, while there was a shortage of formal housing supply for low and middle-income groups.

Assessment of the Operation’s Design

34. *The project was well prepared, clearly articulated and fully aligned with the Government priorities.* A small taskforce was formed in March 2008, chaired by Chairman of MFA, and co-chaired by an Advisor to the Minister of Housing, to begin preparations of the technical design work. The taskforce drafted the parameters of the subsidy program and the World Bank team provided inputs on scenario calculations. The DPL was client-driven and designed to entail 3 main pillars, all geared towards strengthening the legal, regulatory, and institutional framework for the mortgage finance subsidy program to be effectively operated by the MFF. The project also included measures to develop an effective and efficient mortgage finance subsidies mechanism, according to international best practices, that expanded housing affordability for low and middle income groups.

35. *Strong initial design.* The project design shows well-articulated outcomes, reliant goals, balanced mix of actions aiming at strengthening the legal and regulatory framework and scheme development, judicious combination of policy-level measures with operational steps (including IT systems to support their implementation). The design of the three phased reform program proved adaptability by surviving major upheavals. Moreover, the choice of the DPL instrument was appropriate for the prevailing conditions, as improving the access to affordable mortgage

depends on many housing market policies which were supported by the project's main policy areas.

36. *The project adopted an effective targeting mechanism.* This included combining the affordable loan with a cap on the allowable down-payment (one third of the house price), which put a cap on the maximum house price for different income groups and eliminated the group that had sufficient wealth to pay cash for more than one third of the price. There was also a further cap on the subsidy amount (a percentage of the total house price). This was an effective targeting criteria as income is notoriously difficult to verify and a cap on house prices or size of unit would have created a distorted supply market. Moreover, using these targeting criteria, potential beneficiaries who under-report income in order to obtain the maximum subsidy would qualify for a lower loan amount, effectively decreasing the price/size of house they can buy. Conversely, those who over-report income in order to maximize the house price they can afford, received a smaller subsidy.

37. *Project design included transparent guidelines for this program, and rules of engagement with lenders and beneficiaries.* MFF Business Plan and Operational Manual for the program were finalized and issued by MFF Board and endorsed by the Minister of Investment on July 2, 2009. These included all program parameters such as targeting by income, type of units, locations, nature of subsidy, lending and land allocation criteria, and subsidy adjustment methods. They also included underwriting and process guidelines for lenders for different types of properties (new, existing and unfinished units), as well as efficient and trusted disbursement procedures to lenders.

38. *Continuation of successfully implemented past operations with the Bank.* This program was not to be seen as a standalone product but as a natural continuation of what the Bank had already achieved with success in the financial sector. By focusing more closely on access to affordable mortgage, while strengthening further the regulatory and supervisory framework of the mortgage finance subsidy program, this DPL supported an important package of reforms.

Political, Social, and Economic Effects of the January 2011 Revolution

39. *Risks were well outlined in project documents and included:* (i) growth deceleration risks, given that the slowdown in advanced economies was expected to intensify as Egypt's growth is highly correlated with OECD growth rate lingering effects from the global economic slowdown; (ii) risk to inflation, especially that it has been extremely slow in coming down (iii) fiscal risk, particularly given the large budget deficit and domestic debt raising Egypt's vulnerability to market perceptions; (iv) foreign exchange risk, where foreign exchange sources are all strongly correlated with external factors; (v) risks to domestic demand, particularly the slowdown in domestic demand; (vi) stalling reforms risks, following increased uncertainty in international markets.

40. Although the risks identified during project preparation and their mitigation measures were appropriate during the appraisal and early implementation stages, the unforeseen political upheavals that happened in Egypt starting January 2011 intensified these risks beyond what was expected in the project preparation.

41. *Nine months after the project's effectiveness, major political upheavals resulted in several changes in the political regime causing political uncertainty and sharp economic tailspin;* namely: The January 2011 Revolution; the large and escalating protests calling for

former president Mubarak to resign. Following the January 2011 revolution, the Supreme Council of Armed Forces (SCAF) assumed executive and legislative powers until the Parliamentary and Presidential elections conclude and a new constitution was in place. The presidential elections took place on May 23- 24, 2012 after the parliamentary elections were held. The prolonged political transition and several change in the Cabinet, in addition to the absence of Parliament over the 18 months transition period created ambiguity about policies and directions especially that the change in the Cabinet also entailed a change in the heads of most authorities and government entities.

42. *The revolution led to a complete halt in economic activity; widespread labor action demanding higher wages and management changes increased downward pressure on growth.*

Output contracted by 4.4 percent year-over-year (y-o-y) in the quarter of the revolution, registered 1.8 percent in FY11 and hovered around 2.2 percent in the period between FY12-14. External balance severely weakened as international reserves dropped to US\$15.2 billion by the end of April 2012, equivalent to 2.6 months of projected imports of goods and services. Due to the weak real growth and the lack of needed corrective actions, Egypt's fiscal situation deteriorated sharply since FY10. Consequently, the overall budget deficit reached 13.7 percent of GDP in FY13. Following large and escalating protests calling for former President Morsi to resign, he was removed from office and an interim administration was appointed in July 2013. A new constitution was adopted through popular referendum, and the former Field Marshall El-Sisi won the presidential elections in May 2014.

43. *The provision of housing stock was disrupted by the political events that occurred in Egypt, the frequent change in regimes and governments and the lack of security and stability during the implementation of the project.* Due to the lack of funds at the local government level in order to provide infrastructure, the availability of qualifying housing units was a limitation to the program expansion. Due to the slowdown of construction post revolution, NUCA was able to only deliver 6000 units to MFF for the affordable mortgage subsidy program; these were the ready for delivery units left unsold from the NHP program.

44. *Developers had left the low-income sector during the transition period when land contracts were retracted and interest rates were too high for the low-income mortgage market to work.* Many private developers had the capacity and were interested to build large-scale low-income housing estates, yet, they were obliged to return to the Government the land that was allocated to them under the previous regime. Land contracts were retracted due to the extremely low land pricing (below infrastructure cost) offered prior to the revolution, and the inability to deliver units according to timeline required by the GOE. Even after the contracts were cleared, there were major delays in establishing procedures for the allocation of new land for low-income housing. Pipelines for new developments had, therefore, dried up. Government builders had filled the gap in the interim and developers moved to a higher income customer who could pay for housing by shorter term instalments.

45. *The program was severely constrained by the conditions on loan-to-value ratios set in Law 148 (a maximum of 25 percent), the legally stipulated income levels and the rising interest rates.* Amendments to Law 148 were sought but the revolution of January 2011 interfered. The Amendments were finally passed in April 2014 as mentioned earlier and included the following:

- Delegation to EFSA (the new regulator of the non-bank mortgage finance companies) to set Payment-to-Income ratios and Loan-to-Value provisions for mortgage lending.
- Delegation to the Board of MFF “to issue decisions on determining the rules and conditions of entitlement to low-income subsidized housing as well as establishing the criteria of low-income housing projects.”
- Defining the MFF as a legal entity under the supervision of the MOHUUD. The functions of the MFF were expanded and included “responsibility of subsidizing the mortgage finance activities in the field of sale or use of housing units, or leasing them through the rent to own system. It may also support the housing lease for low-income categories by all means, including payment of a part of the value of installments in cases of sale or lease ending with ownership, in a way that reduces the burdens of finance to the limits affordable by their income and provided that the installment shall not exceed the maximum limit determined by the Board of Directors”.
- MFF’s guarantee program for non-payment was eliminated but MFF kept the option to “assume activities to eliminate the risk of non-payment of the obligations arising from mortgage finance.”
- MFF was given the right to establish strict rules on fraud by beneficiaries in obtaining and using subsidized housing units, and setting heavy penalties in case of fraud, including imprisonment.

46. *With these amendments, MFF became part of MOHUUD; MFF and MOHUUD were allowed much greater flexibility in deciding on the parameters of the program when market conditions or policies would change.* However, mortgage lending had virtually stopped during the unstable financial period since the revolution where there were high inflation rates and rising mortgage rates.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

47. *M&E design.* A set of qualitative and quantitative intermediate outcome indicators were defined to monitor progress towards the achievement of the PDO. The M&E framework was established during the design of the operation for the clear purpose of monitoring progress against the agreed upon benchmarks as outlined in Operational Policy Matrix (see Annex 5). These indicators were selected in agreement with Government counterparts, taking into account the availability of data, their relevance and feasibility. Qualitative operational expected policy outcomes were adequately selected to monitor progress in the execution of the operation.

48. *M&E implementation.* Data availability was adequate to follow up on the policy dialogue initiated during preparation of the operation. The MFF was the Implementing Entity of the program and the responsibility for implementing policy reforms under this DPL resided with the MFF, where an M&E Unit was set to monitor the progress in implementation. .

49. *Both an on-site and an off-site monitoring and evaluation systems were established within the MFF, and had become an integral part of the MFF Procedure Manual, which was approved by the Board of Directors on March 30, 2011.* The on-site and off-site monitoring and evaluation system work efficiently in ensuring that only eligible beneficiaries are targeted, avoiding double subsidization and ensuring that units are occupied by the designated beneficiaries. In accordance with the terms of the Master Agreement, lenders were

required to report to MFF, on a monthly basis, the status of all funded subsidy loans. The Procurement Manual, Procedure 4 (lender servicing and reporting) outlined the requirements for reporting by the lenders, while Procedure 5 (lenders on-site audits and operations audits) described the step-by-step auditing process; a number of reporting forms were also annexed to the Manual. The M&E system was prepared and was brought into action as the subsidy program took effect during 2011. Also, the Bank performed its own supervision duties through on-site follow up missions in Egypt, constant dialogue with the authorities as well as through desk reviews. Supervision of the implementation of the operation and the effectiveness of on- and off-site monitoring systems was done regularly from the field, as the Task Team Leader (TTL) of the operation was field-based. The supervision from the field provided an important channel, through which the World Bank team was able to continue to support, and advise the Government on the next steps. Also, missions were staffed with high-level international experts on housing finance. These missions provided sound technical advice to MFF to strengthen its monitoring and evaluation systems, improve data quality and management, and update of program parameters including beneficiary qualification criteria.

50. *The Program made use of IT systems and procedures that had been tested to handle a large volume of applicants.* The system was set up to generate monitoring reports that include information on households, loan and subsidy level information and lender information. In addition, the MFF conducted a thorough process of screening beneficiary's applications. The MFF also kept comprehensive records of rejected applications with information on the reason for rejections (such as not meeting the program thresholds, or falsified information on residence or income). The MFF complaint data shows excellent complaint-handling processes and performance. The MFF received complaints online and handled complaints within 48 hours of receipt with 100 percent complaint-handling

51. In conclusion, M&E and implementation arrangements were continuously contributing to the reforms implementation and the achievement of development objectives as observed below.

2.4 Expected Next Phase/Follow-up Operation (if any):

52. *A follow-up operation—Inclusive Housing Finance Program for Results (PforR) (P150993) - was approved by the Bank Board on May 5, 2015 and declared effective in November 11, 2015.* The main developmental objective of this PforR is to improve the affordability of formal housing for low-income households in Egypt and to strengthen the Social Housing Fund's capacity to design policies and coordinate programs in the social housing sector. The Affordable mortgage DPL was designed to expand the residential mortgage market and increase access to mortgage loans for low and middle income households, as it focused on the 75th to 45th percentile of the urban income distribution and gradually moved the bulk of subsidies to the lower income range. The PforR reached further down market through a combination of both rental and ownership programs—reaching households with incomes in the first decile of the income distribution. The mortgage-linked subsidy program under the PforR includes underserved households from just below the 20th percentile to the 60th percentile—an overall more inclusive targeting.

53. *Technical assistance is being provided to the Social Housing Fund (SHF) to enhance its capacity, build its institutional setup and provide it with policy tools to improve the housing sector.* Recently, a \$2.5 million trust fund was approved by the MENA Transition Fund to

support SHF in developing a new housing policy, build its institutional setup, encourage private sector participation in social housing, develop both private and public rent component and further develop the House Price Index.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

54. *The project was fully aligned with the CAS priorities at preparation and during implementation.* The project was highly relevant to Egypt's development and priorities. The operation addressed the persistent gap in Egypt between incomes and the cost of new housing through expanding the residential mortgage market. Increasing access to mortgage loans for low and middle income households was and continues to be a high priority for the government, and a CAS goal because of the very substantial benefits it generates for the economy and the population, particularly in the housing sector. The project also facilitated progress towards the realization of another important strategic CAS objective of promoting social equity, by improving the affordability of housing. Additionally, the project contributed to the CAS goal of facilitating private sector development through enhancing the capacity of the financial system and improving access to finance especially for the disadvantaged.

55. *The design of the operation was closely linked to the strategic twin goals of the World Bank Group.* The Program served households with incomes between LE 1,000 and LE 2,500 per month, reaching just below the 20th percentile of the income distribution, and with a median beneficiary income of LE 1,750 per month—which lies in the third income decile. Therefore, more than half of the beneficiaries were poor. Approximately 23 percent of beneficiaries were female-headed households (above the national average).

56. *The design of the Affordable Mortgage DPL was highly aligned with the country's priorities.* The operation built on the priorities identified by the GoE during several high-level Ministerial policy workshops undertaken in 2007. The joint World Bank and United States Agency for International Development (USAID) work on housing policy prepared the foundation for these dialogues. This work emphasized that the expansion of access to mortgage finance was a critical component of improving affordability of housing, and was key for lowering current levels of deep supply-side subsidies and reducing the rampant mis-targeting of housing subsidies. The operation was also designed in a truly participatory way through frequent meetings with key technical counterparts from 2007 through 2009 including developers and lenders, both banks and non-depository financial institutions. The recommendations made by the lenders and developers were extremely helpful in the preparation of the final design of the program. The operation was also aligned with policy priorities of amongst successive interim governments between 2011 and 2014.

57. *Moreover, the design of the project remains highly aligned with the country's priorities.* The project is closely linked to the Promoting Poverty Reduction and Shared Prosperity: Systematic Country Diagnostic (SCD) (Report no.99722), and the outcomes of the Country Partnership Framework (CPF) (Report no. 94554-EG) for the period of 2016-2019. The SCD has clearly indicated that affordable, well located and quality housing is essential for achieving the twin goals of ending extreme poverty and boosting shared prosperity. Furthermore, urbanization and affordable housing were identified as major development challenges in Egypt during the CPF consultations. The project, with a focus on supporting low-

income housing, is well aligned with pillars on inclusion that involves ensuring broader access by disadvantaged segments of the population—the project is also in line with the new MENA strategy titled “*Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa: A New Strategy for the World Bank Group*”.

58. Thus, the relevance of objectives, design and implementation is considered satisfactory, based on: (i) the consistency of the program with government and Bank priorities; (ii) quality of the design, with a clear focus on expanding access to mortgage finance through transparent demand subsidies compatible with the country’s developing market-based mortgage system, in addition to creating a more transparent and equitable targeting and allocation system for housing subsidies; and (iii) achievement of project development objectives as listed below.

3.2 Achievement of Program Development Objectives

59. Achievement of Program Objectives is considered satisfactory. The project’s main development objective of expanding the residential mortgage market and increasing access to mortgage loans for low and middle income households as measured at the time of the ICR was achieved.

60. The program has successfully achieved its objectives that aims at expanding the residential mortgage market. The total market based mortgage loans increased from LE 1.3 billion to 5 billion with an average annual growth rate of 47 percent. The contribution of the program is very evident in the 3 fold increase in mortgage linked subsidies for beneficiaries with incomes below LE 2,500. The beneficiaries of MFF in this category constituted around 90 percent of the total beneficiaries in the same income bracket.

61. The program reformed the subsidy mechanisms replacing the inefficient and poorly targeted supply-side subsidies for low and middle income groups through eliminating the direct supply side subsidies to developers and indirect subsidies which included subsidized land to developers at below market price, replacing them with a more transparent and well targeted demand side subsidies; accordingly, private developers do not have access to subsidized land anymore. The income levels of the targeted beneficiaries have been modified to be more inclusive, the targeting mechanisms has been enhanced and the monitoring mechanism has developed to rule out any double subsidization and mis-targeting. The beneficiaries of this project are distributed geographically over 16 governorates, including formal and informal labor. At the time of the project closing, the number of household beneficiaries reached 24,538, while as of August, 2016 this number grew to reach around 42,000 households.

62. The government ceased allocating subsidized land to private developers. In fact, currently the government is the only entity constructing social housing units and the units are offered to beneficiaries with a profit margin to guarantee sustainability of the GoE program.

63. The project supported MFF in putting in place an efficient and transparent demand-side subsidy through:

- Setting and publishing transparent rules and regulations guiding the demand side subsidy and a clear eligibility criteria that included creditworthiness (need to be approved by lenders for a loan); with the condition of being first time home-buyers and not receiving any form of a housing subsidy before.

- Identifying the initial target group to include households that represent roughly the 90th to 45th percentile of the urban household income distribution, and focusing specifically on the 75th to 45th percentile of the urban household income distribution.
- Enhancing MFF monitoring mechanisms to ensure directing subsidy to targeted groups through building a cohesive database in MFF to avoid double subsidization for the same beneficiary and through proper checking for beneficiaries' incomes. This was the first time that housing programs would be systematically monitored. Thus, replacing the old demand side subsidy that lacked proper system for targeting, monitoring and properly checking for beneficiaries' incomes, which allowed subsidy to be provided in practice to untargeted groups.
- Regular inspections to ensure that the intended beneficiary is occupying the unit.

64. *The program also created efficiency gains to GoE.* The Program was more cost efficient than government provided lease and home-ownership options under the old NHP, because it leveraged household and private financial sector resources and cut out the local government construction costs subsidies and the mortgage finance subsidies, which together accounted for a large part of total NHP subsidies. This is evident in the increase in the private sector engagement, where around 1,300 units were provided by the private sector. The contribution of the private sector was expected to be larger. Yet, disagreement about the price of units and allocation of land had prevented such achievement. Under the new operation “Inclusive Housing Finance Project”, negotiations have resumed between the government and the private sector to reach a workable solution. Efficiency gains were also realized from the savings gained by switching from supply side subsidy to demand side subsidy. Prior to the operation, total implicit and explicit subsidy per unit reached LE 54,200; while after the program, the demand subsidy directed to the end beneficiary averaged around LE 19,500 creating a savings of around LE 34,700 per unit. The total savings by the closing of the project reached around LE 0.8 billion in relation to the 24 thousand units financed. In addition, efficiency gains were made since not only new but also existing housing in built up and serviced urban locations were included. Additionally, MFF encouraged private insurers to develop mortgage insurance for the low-income lending program.

65. *Moreover, significant progress has been made in the implementation of the policy reforms supported by the operation.* Thus, the program’s achievement, in terms of compliance with the monitoring indicators is strong. The status of compliance with actions selected as indicators is described in details below:

Pillar I: Strengthening the legal, regulatory, and institutional framework for the mortgage finance subsidy program:

66. *Two sets of policy actions were identified to achieve this pillar and have been effectively completed.*

a. *The first set was designed to adopt policy measures to create and adjust a demand-driven subsidy scheme. This was pursued through the following actions:*

67. *The enactment of Joint Ministerial Decree 166 of 2009* to establish the Housing Finance Subsidy Policy Committee and to determine the core features of the subsidy program on August 3, 2009. The project replaced the inefficient and poorly targeted supply-side subsidies for low and middle income groups.

68. Determination of the subsidy parameters in line with changes in macroeconomic and housing sector changes; and modifying the program parameters several times, revising program features based on a model using defined income, macroeconomic and housing sector indices. The parameters of the program were approved on December 30, 2010, and verified on February 13, 2011, post-revolution, by the MFF's Board of Directors. Amendment to Real Estate Finance Law 148 of 2001, which was approved in January 2014, gave MFF's Board the authority to decide on subsidy parameters and establish the criteria for low-income housing projects.

69. The target of using timely and accurate time series data points (CBE, CAPMAS, and Real Estate Observatory) to revise the main parameters of the mortgage subsidies program was achieved. The parameters of the program were reviewed by MFF Board on Monthly basis. MFF's Board of Directors has representatives from CBE, Ministry of Finance, the Egyptian Financial Supervisory Authority (EFSA), Ministry of Housing, Ministry of investment, and Market experts.

70. The program parameters were modified several times by the Board of MFF. MFF reviewed the parameters of the program in light of recent developments related to levels of income and the price of units. Unit prices were raised for semi furnished from LE 100,000 to LE 125,000 and for furnished units from LE 125,000 to LE 150,000. Also, monthly income levels for married couples were raised from LE 2,500 to LE 3,500 and for single beneficiaries from LE 1,750 to LE 2,500. Moreover, in line with best practices, the subsidy system applied changes from subsidy on installments to down payment subsidy and interest rates were adjusted by the CBE⁴ to 7 percent for all low income households; Interest rate was further adjusted to 5 percent for those with monthly income levels below LE 1400.

b. The second set covered strengthening the MFF- the implementing entity for the new subsidy program:

71. The DPL supported improved governance structure of MFF through the issuance of Law 148 of 2014 which ensured the effective separation of functions and staff for the subsidy and guarantee units of MFF. The Legal and financial separation of the Guarantee function from the Subsidy function as per Law 148 of 2014 was important to ensure better governance since they are different functions that require different operations and accounts to ensure non-interference between the guarantee and the subsidy functions, in case of financial stress of the former. The Guarantee Fund must have at all times capital reserves that are adequate to meet near term and future guarantee claims upon the Fund. Accordingly, the Fund's assets must be legally structured so as to insulate them from any claims or uses not directly related to the

⁴ In April 2014, CBE introduced a stimulus package for the housing sector by offering below-market rate funds (LE 20 billion) to the banking sector to be used for mortgage lending to low- and middle-income households (up to a house-price of LE 300,000). The funds are part of a larger economic stimulus package supported by the Gulf States. Funds are offered to the banks at 3.5 percent and 4.5 percent for on-lending to low-income households at seven percent and middle-income households at eight percent respectively as opposed to market rates of 15 percent to 16 percent. In addition, 5 percent interest rate was offered for those with monthly income levels below LE 1400.

fulfillment of the Fund's credit guarantee obligations. Also, in the event that future high levels of guaranteed credit failures cause a depletion of Guarantee Fund reserves, any such financial stress should not be permitted to interfere with the proper workings of the MFF subsidy programs. Further, the pricing of guarantees issued by the Fund should be exclusively tied to projected claims upon the Fund's assets plus the direct costs of operating the Guarantee Fund and unrelated to the subsidy activities of the MFF. This, too, required legal and financial separation. Moreover, the policies, management and staffing skills, financial rules, and the legal and operational structure of these two activities are quite distinct.

72. *MFF also witnessed an increase in number of staff dedicated to the mortgage subsidy program from 12 in 2009 to 140 in 2015.* This indicator's target was exceeded. MFF had 75 staff members and outsourced 25 employees from the Central Agency for Public Mobilization and Statistics (CAPMAS) for data entry and a call center with 40 employees for daily Q&A, inquiries and complaints to meet the increase in number of applicants. By project closing, 140 staff members were dedicated to the mortgage subsidy program.

73. However, the number of subsidies to number of MFF staff dedicated to mortgage subsidy program was below target. Despite the increase in number of staff, the target of reaching 65,000 subsidized loans was not met (see below).

74. *The DPL also supported the introduction of mortgage insurance.* Lenders in the past had misgivings about the level of capital held by MFF- the only mortgage insurance provider by then- to pay out claims particularly in case of a systemic cause of default. MFF had, since the amendments to Real Estate Finance Law 148, encouraged private insurers to develop mortgage insurance for the low-income lending program. It had agreements on rates with several insurers that have entered into this market. Since April 2013, two insurance companies—ISKAN Insurance and Misr Insurance—have been operational and offering mortgage insurance to low income beneficiaries, defining the rates at which the insurers provide mortgage insurance to the MFF mortgages. The quotes include both upfront and annual fees for mortgage insurance with different levels of coverage. The MFF's Board discussed those offers on April 23, 2013 and approved the use of this mortgage insurance product as documented in the MFF Board Decree no. 5/69 of 2013. Moreover, ISKAN insurance company provided a new product to be used by several banks under the CBE initiative, where they offered to cover nonpayment risk with a premium ranging from 0.3% for the whole portfolio and 0.5% for covering private sector employees and free workers. Banks using these policies include National Bank of Kuwait and Qatar National Bank.

Pillar II: Developing an effective and efficient mortgage finance subsidies mechanism

75. *Two sets of policy actions were targeted under this second pillar of the DPL*

- a. The first set aimed at designing, implementing and regularly adjusting a new mortgage-linked subsidy program that covers new and existing affordable housing through:**

76. *Adoption by MFF's Board and endorsement by the Minister of Investment of the Business Plan and Operational Manual for the affordable mortgage finance program.* The business plan and the operational manual were drafted and finalized in early June 2009,

approved by Housing Subsidy Policy Committee (HSPC) on June 28, 2009, issued by MFF Board, and endorsed by the Minister of Investment on July 2, 2009.

77. *Amendment of MFF procedures pertaining to the inclusion of existing and unfinished units in the mortgage finance subsidy program.* The Bank provided technical assistance to MFF to assist with the preparation of implementation arrangements for the program. Main achievements included: (i) defining the terms and aspects to be included in the “master agreement” between MFF and participating lenders to set the work sharing principles and service level with the lenders; (ii) preparing a detailed operational procedures manual that allows MFF to administer the new subsidy program effectively; and (iii) designing an IT structure (functions, tools, and database).

78. *Taking into account the results of the first impact evaluation (in the amendment of the mortgage subsidy program).* The scope of a first impact evaluation was already outlined, and TORs for such an evaluation had been prepared. However, in 2013 preliminary data on current price and income trends and the need to fit the program into the broader housing policy proposed by MOHUUD prompted MFF and the World Bank team to draft adjusted parameters for the program; to modify the slope of the income to subsidy curve making subsidies more progressive and making it possible for LE 1,000 per month income households to qualify for a LE 75,000 unit. The adjustment of parameters of the program did not have to wait for a full impact analysis. Further amendments had been made later, where the parameters of the Program were continuously being adjusted given changing macroeconomic conditions, changes in incomes, prices, interest rates and the need to lower down-payment amounts, as well as changes in the legal and policy framework. Regular meetings were held with representatives from MFF, Banks, the Central bank of Egypt, and MOHUUD to evaluate the program and propose adjustments.

79. *As such, the DPL supported setting a mortgage linked subsidy program.* This is evident by the increase in number of banks participating in the program from 1 in 2009 to 14 banks by project closing (including private banks), exceeding the target of 5 banks in 2015. Moreover the program resulted in an increase in mortgage finance companies (all private) participating in the program from 2 in 2009 to 4 in 2015. Though the target of reaching 6 mortgage finance companies was not met, this started to pick up as new companies are starting to work on the program especially after attempting to utilize the CBE mortgage initiative.

80. It is also worth mentioning that either banks or mortgage finance companies participating in the program had to meet the following eligibility criteria, where they must: be active in the mortgage business, be properly registered with the (CBE) or (EFSA) (thus meeting financial and regulatory requirements) and be in good standing with its primary regulator; either (CBE) or (EFSA). Banks had to submit documentation of CBE’s approval to engage in mortgage lending.

81. By project closing, MFF made only a total of 24,538 subsidized loans compared to a target of 65,000. The main limitation to the expansion of the program was the lack of supply of new units following the revolution. Economic and social turmoil following the revolution took a toll on the economy, as well as on the outcomes of this project. Not until the elections of May, 2014, did a semblance of normalcy return to the country. Specifically, the lack of funds at the local government level to provide infrastructure as a result of the turmoil was the major limitation to program expansion; where NUCA delivered only 6000 units to MFF for the affordable

mortgage subsidy program by 2014. Moreover, developers had left the low-income sector during the transition⁵ period when land contracts were retracted and interest rates were too high for the low-income mortgage market to work.

82. However, the program started picking up, with the launch of a new program (Social Housing Program in 2014) and as construction picked up and consequently availability of units. MFF started effective implementation and has reached the level of processing over 6,000 mortgage linked subsidies applications per month as of May 2016. Developers are gradually re-entering the market now that the CBE program has made the access to mortgage loans accessible for the target group. This is evident in the increase in the number of beneficiaries, reaching 49,500 as of August 2016. Moreover, 25,000 loans are in pipeline at the time of the ICR.

b. The second set supported by the DPL aimed at Scaling-up ex-MFF subsidy section as the institution in charge of the subsidy program. This included the following:

83. *The issuance of a Joint Ministerial Memo from the Minister of Investment and Minister of Housing, Utilities and Urban Development indicating that MFF is the implementing agency for the Affordable Mortgage Subsidy Program.* The joint Ministerial Memo was issued on February 2, 2009, and was endorsed by the Prime Minister on March 21, 2009 specifying MFF's new role and responsibilities as the implementing agency for the Affordable Mortgage Subsidy Program.

84. *The establishment of on- and off-site monitoring and evaluation systems by the Ministry of Investment.* With MFF gaining increasing roles and responsibility, its on- and off-site monitoring and evaluation system became an integral part of the core PIU functions. In accordance with the terms of the Master Agreement, lenders were required to report to MFF the status of all funded subsidy loans on a monthly basis, Procedure 4 of the Procurement Manual ("lender servicing and reporting") provides the requirement for reporting by the lenders while Procedure 5 provides the requirements in terms of audits to be conducted. A number of reporting forms are annexed to the Manual. Additional reporting needs were designed to support MFF management in the analysis of the current subsidy program requirements.

85. *The completion of a monitoring and targeting study, including recommendations for program and process adjustment.* Several monitoring and targeting reports were issued. Moreover, the required executive actions and institutional measures were taken with regards to establishing the monitoring and evaluation system in MFF as detailed in section 2.3. Monitoring and evaluation is a critical task for the ongoing refinement and adjustment of the program which

⁵ Egypt witnessed two transition periods. First Transition period refer to the period following the revolution from the January 2011 until the presidential and Parliamentary elections which took place on May 23- 24, 2012 and January 23, 2013 respectively. The second transition period refers to the period from July 2013 to May 2014. This period witnessed the escalating protests calling for former president to resign, and the appointment of an interim administration in July 2013, and presidential elections in May 2014.

should be based on monitoring input. This was the first time that housing programs would be systematically monitored and extensively evaluated.

86. *MFF's processes, which were mostly paper-based, were replaced with a more automated solution, streamlining the treatment of applications and mitigating the operational risks (documents lost, data (re)entry mistakes, and fraud).* When a citizen makes an application for a housing subsidy, their details are entered into the new system, which go into set of workflows. First, MFF employees perform initial checks to ensure that the applicant has not received a subsidy before. Second, the appropriate subsidy level and maximum loan thresholds are automatically calculated based on the applicant's income. Third, information about the applicant is then sent through the integrated web based system to a third-party company, private investigation company⁶, that performs background checks, and – provided these checks reveal no issues –the application file is sent to the lender for loan approval. Finally, if all documentation is in order, the contracts are then generated and sent to the applicant for their signature.

87. *Automating the loan appraisal processes through developing an IT platform to providing fast, more accurate and reliable data and information for decision-making.* This included the creation of a network for the transfer of documents amongst all stakeholders in the loan appraisal process. Customers now can be ready to purchase their new homes in less than two months instead of waiting a year for mortgage approval. Customers can check the status of the application through different ways including: call center service, MFF portal inquires, or through the short message service (SMS). Also, MFF can monitor exactly the status of the application, so they can address customers' inquiries instantly. Moreover, there is no longer any waiting days for documents to be delivered from one place to another as all is handled through the web based system. MFF IT platform and data base can accommodate all subsidy applicants in Egypt as MFF planned to become the country's database of beneficiaries of the different housing programs. Applicants can apply on line and know the subsidy amount he/she eligible for from MFF portal using Loan calculator therefore, allowing applicants to reduce the time between applying for getting the subsidy till the application approval. All housing units' allocation is done randomly and automatically to save time and effort and reduce interference with MFF employees. As a result, ensuring equity between applicants and giving more trust.

88. *Scaling up to meet social needs.* MFF can now support many more customers and many more banks and lenders without needing to hire more people. MFF transformed its management processes and improved worker efficiency through introducing new software solutions which improved: (i) the archiving of all the data and documents related to the loan appraisal process; (ii) tracking the loan appraisal process in each step; and (iii) decision support by generating operational and statistical reports.

89. *Measures supported by the DPL under this policy area ensured setting a fully operational subsidy unit in MFF with timely processing of subsidy applications.* MFF had

⁶ Private investigation companies must be recommended by two Egyptian banks and worked with them for at least two years and proved truthful. The total number of investigation companies reached 11 private company.

worked closely with the MOHUUD and banks on simplifying the procedures of obtaining the mortgage subsidy for applicants. This resulted in decreasing the average turnaround time to process a mortgage subsidy application from 6 weeks in 2009 to 3 weeks in 2015, meeting the target and submission of quarterly reports on process and on program indicators.

Pillar III: Improving the institutional framework to enhance transparency and targeting of housing subsidies:

90. *Three main sets of policy actions were contemplated under this pillar*

a. The first set aimed at reducing supply side constraints for subsidized housing through the following:

91. *Implementation of fast-track property registration for all mortgaged properties under the Affordable Mortgage Finance Program.* This was an important measure to reduce supply-side constraints for subsidized housing, as title registration was, and remains, one of the procedures that can slowdown the issuance of mortgages and therefore the subsidies, for housing units in existing urban areas, and the financing provided by the lenders. While there is a protocol to fast track land registration for new units in new urban communities, this arrangement had to be extended to include property registration for existing properties available for mortgage under the program. Key policy reforms included the ratification of the Real Estate Transactions Registration in New Communities Law in June 2013 in consultations with the Ministry of Justice, MOHUUD, NUCA, private sector developers, financial intermediaries and civil society. This allowed: (i) NUCA to issue a certificate for the property or the unit, which is financed via mortgage finance; (ii) the chairmen of the authority's administrative apparatuses to sign tripartite mortgage finance contracts to be ratified by the Minister of Investment; and (iii) registration of large projects and a related Ministerial Decree no.10 of 2014 which was issued by MOHUUD on February 3, 2014, on new procedures and institutions for the registration of Mortgaged NUCA properties. These measures made mortgage lending in NUCA territories possible and easier. By project closure, the time to register a real estate title decreased from three months to one month.

92. *Introduction of measures to withdraw previously allocated but unutilized land for affordable housing.* A Resolution Committee was established in June 2014 to settle any debatable land contracts with the main residential developers of low-income housing (of which many cases were solved). MOHUUD withdrew unutilized land for affordable housing.

93. *Assessment of land allocation methods for the purpose of reforming public land allocation mechanism.* Regular review of land allocation methods were performed by MOHUUD. This is important as public land allocation mechanisms are unnecessarily generous and do not create a competitive environment for land allocation or an efficient use of land. Also, it made sure that new housing under the subsidy program will not expand on new lands on the periphery, while existing land previously allocated to social housing has not yet been utilized; this was a critical outcome that the measure contributed to achieve. Overall, these measures helped improve supply side efficiency of land and housing

b. The second set aimed at improving legal and regulatory framework to ensure adequate targeting for affordable mortgage, through:

94. *Submission and approval of the draft amendment to Real Estate Finance Law 148 of 2001, by the Cabinet of Ministers, adjusting the debt payment-to-income ratio, from 25 percent to 33 percent.* Also the Prime Ministerial Decree No. 1864 adjusting the maximum income level for subsidy beneficiaries to LE 2,500 monthly was issued. Moreover, amendments to the Real Estate Finance Law 148 were sought as early as 2010, but the revolution delayed the passing of the amendments until April 2014. Amendments included the provision that the decision to establish Payment-to-Income limits and Loan-to-Value provisions for mortgage lending should be made by the regulator – EFSA- rather than have statutory limits included in Law 148. Moreover, the board of MFF was given the authority to decide on the rules and conditions of low-income subsidized housing and establishing the criteria for low-income housing projects. Later, EFSA drafted the executive regulation that set the maximum annual income level of beneficiaries of the subsidy program to LE 27,000 for individuals and LE 40,000 for households, and the maximum Payment-to-Income ratio at 40 percent as recommended by MFF Board.

c. The third set aimed at strengthening Housing sector knowledge base through:

95. *Compilation of housing market information.* The Ministry of Finance, in the context of the real estate tax, had developed a nationwide database on housing market information, including house values, land prices, and housing transactions. The database covered all of the 30 million of properties that exist in Egypt, whether taxable or not. Sharing of data with the MOHUUD and NUCA had been effective based on a Protocol signed between the two ministries to this effect. The database was used in updating the parameters as one of the program prior actions.

96. *Expansion of the housing market information database, by inclusion of a house price list by sector in main urban areas.* The Housing Development Bank (HDB) had developed the first House Price Index (HPI) in Egypt. The construction of the HPI was an important step to provide more insightful information to GoE specifically with regards to data collection. However, it suffered several limitations, including: (i) the Index was built by only one player (HDB), based on its own operations. Moreover, the index may not be representative of all HDB projects in the location, as the index utilized only one project per location (instead of use all the information available to HDB); (ii) the index followed a simplified approach based on stratification by finish level. This approach fails to control other differences in the characteristics of property units; and (iii) the index was not published and thus does not inform housing market participants on trends in housing values/prices. Thus, there is a need to identify additional data providers, potential data contributors and stakeholders (mortgage lenders and insurers, property developers, property brokers, as well as EMRC, MFF, and HDB) to develop a public version of the HPI under the auspices of MOH or the CBE to inform policy makers and housing market participants. Currently, a more advanced HPI is being developed under an ongoing technical assistance with MOHUUD as such a tool requires a long term undertaking, in particular because of the development of the information system (identification and buy-in of sources – often with a linkage to land registries, data collection and validation, and information structuring, etc.).

97. Moreover, the program contributed to a more diverse market supply of affordable housing, expanded mortgage lending down-market, and stimulated greater mobility in the existing stock through the use of vacant and unfinished housing and the utilization of currently vacant but serviced land, which are all major issues in Egypt’s urban housing market.

3.3 Justification of Overall Outcome Rating

Rating: Satisfactory

98. The project achieved its expected outcome despite the unsettled political situation, the deterioration of macroeconomic conditions that prevailed since the revolution, and the various changes in Cabinet. Furthermore, the project had achieved the desired policy triggers through (i) strengthening the legal and regulatory and institutional framework for mortgage finance market; (ii) strengthening MFF and empowering its role; and (iii) reforming the malfunctioning subsidy system and replacing it with an efficient and transparent subsidy system. Despite the underachievement regarding some of the indicators, which is mainly due to external factors, most of the indicators were met. The overall project remains highly relevant to the housing development challenges facing Egypt, specifically improving access to formal home ownership by low and middle-income households, which continue to be highly relevant for Egypt and the World Bank Group Strategy. The overall outcome rating for the project is Satisfactory, reflecting the rating for relevance of objectives, design, and implementation. The DPL established a strong policy, legal and regulatory system for the subsidy program, as well as the necessary institution for its implementation, monitoring and adjustment (section 3.1). The satisfactory rating is for achievement of objectives, despite a crisis context marked by significant political and economic uncertainty (section 2.2).

3.4 Overarching Themes, Other Outcomes and Impacts:

(a) Poverty Impacts, Gender Aspects, and Social Development

99. ***The breakdown of beneficiaries shows the positive impact of the program*** on improving access and costs of housing finance in Egypt, with the objective of attaining a more inclusive system, as follows:

- ***The Program reached households well within the low-income target group of LE 1,000 to LE 2,500 per month reaching just below the 20th percentile of the income distribution and with a median income for beneficiary households of LE 1500, or just at the poverty level established for Egypt by the World Bank.*** That is a major achievement with relatively small average subsidy amounts of LE 20,000 (US\$2272). In comparison, most upfront subsidy programs in Latin America require subsidies of double that amount. Subsidy amounts are, however, difficult to compare because Egypt still provides additional supply side subsidies on land and infrastructure.
- ***The Program had a broad geographic reach compared to the old regime subsidies which mostly went to households in NUCA developments around the major cities.*** Beneficiary pool includes households from 16 governorates spread over the Delta, Upper Egypt and Greater Cairo.
- ***The program included an above average proportion of female headed households in the income brackets it serves.*** The third and fourth percentile of the national income distribution include 20 and 15 percent female headed households respectively and the Affordable Mortgage Program includes 24 percent female headed households

in its program to date (above the national average of 18%). For a mortgage-linked subsidy program this is a rare achievement.

100. *The impact was below target due to the political and economic disruptions.* Due to the political disruptions, insecurity, and macroeconomic instability that have impacted construction of units, hence constraining the expansion of the program, the total number of subsidized loans reached 24,538. Therefore, despite the success of the project to meet the conditions and triggers, external factors had impacted the complete achievement of the intended target.

101. The operations had contributed in establishing a sustainable demand side subsidy mechanism that is efficient, well monitored and non-distortive. This is done through establishing a well-founded MFF with proper governance and functions to allocate subsidy and monitor beneficiaries.

(b) *Institutional Change/Strengthening:*

102. *Major progress has been made in establishing the implementation systems and building institutional capacity and strengthening the MFF capacity to adequately implement the Affordable Mortgage Finance Program.* This included (i) replacing the MFF's processes, which were mostly paper-based, with a more automated solution enhancing transparency, (ii) accelerating the loan appraisal process, allowing MFF customers to purchase their new homes in less than two months; (iii) transforming MFF management processes and enhancing efficiency through introducing new software solutions which improved the archiving of all the data and documents related to the loan appraisal process, tracking the loan appraisal process in each step; and (iv) generating operational and statistical reports.

103. *The project provided a credible platform to improve institutional framework for affordable mortgage, as follows:*

- ***The Bank provided technical assistance to MFF to assist in the preparation of implementation systems for the program.*** Main achievements included: (i) defining the major terms and aspects to be included in the “master agreement” between MFF and participating lenders to set the work sharing principles and service level with the lenders; (ii) preparing a detailed operational procedures manual that should allow MFF to administer the new subsidy program effectively; and (iii) designing an IT structure (functions, tools, and database).
- ***Enhancing transparency and targeting of Housing Subsidies through:*** (i) establishing a tracking system to eliminate double allocations to households with any other scheme; (ii) setting MFF as the only entity responsible for providing affordable mortgage housing in Egypt. As such, verification is conducted against old NHP beneficiaries and Governorates beneficiaries using the applicant identity number and via sending the applicant information to a third-party company to perform background checks; and (iii) establishing on- and off-site monitoring and evaluation systems which became an integral part of the MFF functions.

104. Key policy reforms were undertaken by the Government of Egypt and MOHUUD that strengthened the institutional framework. See section 5.2 for more details

(c) *Other Unintended Outcomes and Impacts (positive and negative):*

105. No unintended outcomes and impacts were identified

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

106. Not applicable

4. Assessment of Risk to Development Outcome

Rating: High

107. *The unforeseen events of the Egyptian Revolution, which began in January 2011, had worsened the risk to development outcomes, compared to the assessment risks at DPL appraisal.* The events that led to these risks were unseen by all observers. These resulting unforeseen risks were not taken into account during the appraisal of the operation (unlike other risks that were foreseen during project preparation, and appraisal, and their mitigation measures were considered and means of mitigation were identified).

108. *The revolution, the subsequent developments associated with it, as well as the current uncertainty have led to a number of challenges.* As discussed earlier, these developments had a major bearing on the future prospects for the economy, and accordingly represented potential risks to the operation's sustainability. It is useful to separate the risks into political risks, macroeconomic risks, and project specific risks. These types of risks are discussed below generally.

109. *The political environment in Egypt has been stable in the past two years since the election of President Abdel Fatah El Sisi, the election and instillation of parliament and the adoption of the constitution.* As a consequence of the stable political environment, the security situation has improved in Egypt, with the exception of North Sinai.

110. *Despite slight improvement, the economy still faces a dire situation.* Egypt is experiencing subdued growth rates, record high unemployment rates and soaring inflation. Furthermore, the Egyptian economy still suffers from structural problems such as soaring budget deficit and foreign exchange crisis where there is more than a 20 percent gap between official exchange rate of the Egyptian Pound vis-a-vis the US Dollar and that of the black market. Private investments are subdued while Foreign Direct Investment (FDI) is very low. Therefore, the risk of the macroeconomic environment is rated high.

111. *Project specific risks.* Despite the well thought design of the project, the sustainability of subsidy is an issue. The project should have incorporated a mechanism to sustain subsidy to lower income household that will exist after phasing out of the operation. Fortunately, CBE had launched the LE 20 billion initiative to provide below market rate mortgage to low income groups. In order for this initiative to be sustained, convergence between the market and the initiative's rates is still needed. CBE and MOHUUD/MFF will have to coordinate their programs closely when the CBE decides that the macro-economic situation allows for the phasing out of the stimulus program.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

112. *The Bank performance at entry is rated “Satisfactory” on the basis of having considered adequately most of the performance assessment criteria including:* (i) the strategic relevance and intervention approach; (ii) its technical, financial and economic aspects; (iii) the poverty, gender and social development aspects; (iv) the institutional, implementation and its M&E and fiduciary arrangements; and (v) the foreseen Bank inputs and processes for preparation and supervision. One flaw is the discrepancy in the PDO between the Financing Agreement, and the disclosed Project Appraisal Document⁷. Yet, the project team paid particular attention to ensuring high quality at entry for this operation. The loan identification and design were consistent with the CAS, and the team was instrumental in taking full advantage of a window of opportunity presented by the government that led to this major progress in developing the mortgage market in Egypt. The sound preparatory work, strong policy dialogue, good working relationships with government counterparts and the high level of consultation with market participants and stakeholders led to the design of a quality operation.

113. There were one shortcoming in the M&E framework for the project. The results framework lacked quality of the portfolio indicators, including default rate ratios.

(b) Quality of Supervision:

Rating: Satisfactory

114. *The supervision went beyond the regular oversight of the project implementation, and provided advisory services and guidance to the government on other housing finance issue.* Bank implementation support included day-to-day support provided by both Bank headquarters and the Cairo-based task teams. Through the project, implementation support missions were extensive. Implementation support missions included a mix of skill sets including a senior operational task team leader with over 20 years of experience in financial sector development in Egypt and a variety of high level international experts. Implementation support missions provided sound technical advice and cross-country experience to the authorities.

⁷ The PDO in the Financing Agreement reads as follows “The Program's objective is to expand the residential mortgage market and to increase access to mortgage loans for low and middle income households in order to improve housing affordability. Specifically, the Program aims at moving towards a more inclusive, transparent and efficient demand-side subsidy program. The Program aims to improve the targeting of subsidies by linking them to affordable mortgage loans”; while the PDO at the disclosable PAD reads as follows; “The Program's objective is to reform the current system of inefficient and poorly targeted supply-side subsidies for housing for the broad low and Middle income sector and replace them with a transparent and economically efficient demand side subsidy system.

115. *Key initiatives moved forward through continuous policy dialogue in conjunction with supervision missions included:*

- Support to the authorities on the calculation model of the subsidy, where the team prepared a note describing the pros and cons of different methods of calculating the subsidy amount for different income categories.
- Technical assistance to MFF to assist with the preparation of implementation systems for the program. This included (i) estimating the number of staff needed for the first year of operation as well as the total staff needed; (ii) reviewing the organizational structure approved by the MFF Board of Directors and recommending a workflow based on such a structure; (iii) preparing a detailed operational procedures manual that should allow MFF to administer the new subsidy program effectively; (iv) defining the major terms and aspects to be included in the “master agreement” between MFF and participating lenders to set the work sharing principles and service level with the lenders; (v) setting-up a subsidy model based on four income brackets; (vi) designing an IT structure (functions, tools, database); (vii) designing a draft flow chart of processes for MFF; (viii) reviewing the RFP prepared by MFF for hardware acquisition for more effective and secure implementation; (ix) reviewing the parameters needed to prepare the tender for software design based on the newly proposed operational procedure.
- Support to the authorities in reviewing the amendments to the Real Estate Finance Law 148 of 2001 and advice to the authorities on some issues related to these amendments.
- A workshop on the provision of low-income housing in Egypt on June 2013, chaired by the Minister of Housing and Urban Development. The workshop brought together various stakeholders in order to reach consensus on housing policies moving forward.

116. *In addition, the team was responsive to clients' needs and changes in the market in numerous incidents, and shared their expertise with authorities to mitigate all unexpected risks.* The missions followed up on the agreed indicators and discussed results with the different counterparts in the sector. The supervision provided therefore a crucial channel through which the Bank was able to continue to support and advise the government on the next steps.

117. *The number of implementation support missions averaged two per year during project implementation.* Aide memoires were extensive and captured opportunities and challenges in a candid and comprehensive manner. Nine ISRs were produced and an implementation support mission was completed approximately every six months throughout project implementation.

118. *The Bank identified and resolved challenges during implementation and following the revolution so that the PDO could be successfully achieved.* In particular, the Bank provided teams with the requisite skill mix regularly to supervise project implementation and were provided adequate annual budgets for this purpose. The Bank benefited from the continuity of the task team, through most of the project period. Timely management letters and aide-memoires alerted the Government and the Implementing Agency to problems with project implementation and provided guidance on their appropriate resolution.

119. *Post-revolution, the policy dialogue continued with official counterparts throughout supervision, despite several changes in regime and government.* The project team worked closely with the authorities in addressing the challenges emerging from the revolution, in ensuring smooth implementation and timely delivery, as well as achievement of the projects

main developmental objectives. In particular, the World Bank team continued to provide support to the Government of Egypt, specifically MFF in implementing and adjusting the Affordable Housing Subsidy Program and ensuring the sustainability of the program in the context of a new housing policy proposed by MOHUUD and the CBE stimulus. The Bank's team provided technical assistance in reviewing the subsidy scenarios in consultation with MFF, MOHUUD, EFSA, the CBE and the potential lenders to reflect the developments in the economic and social environment, the amendments to Real Estate Finance Law 148 and the availability of cheap funding under CBE stimulus package. In addition, the team prepared a brief issues memo on experiences with programs similar to the CBE stimulus package based on lessons learnt from other countries, about some of the possible features of the package that could have unwanted side effects. A list of Technical assistance provided under the project is listed in section 3.2.

120. *The project team showed strong technical and managerial ability, particularly through the extensive policy dialogue on activities related to the implementation and adjustment of the Affordable Housing Subsidy Program and ensuring the sustainability of the program,* specifically progress in meeting the triggers listed in the Operational Policy Matrix, as well as the macroeconomic framework required for the release of the third and last tranche. The team showed persistence in bringing up issues related to slow project progress, or identifying capacity building needs of MFF and key market players.

121. *The satisfactory supervision rating is justified by responsiveness to the changing environment and the successful completion of a large scale project.* This is particularly impressive as the policy actions had been met despite the very high level of political and economic volatility throughout 2011-2015 in Egypt.

(c) Justification of Rating for Overall Bank Performance:

Rating: Satisfactory

122. *Based on the above, the overall rating for World Bank performance is Satisfactory. The rating of satisfactory is also based on the following considerations:* (i) the project was well designed, its PDO was in line with the Country's and the Bank's priorities and the indicators were relevant; (ii) the Bank was aware of the challenges involved in the legal and regulatory front, so it adopted a flexible results based framework and a risk mitigating strategy, in consultation with the authorities, who remained committed to the implementing of the reforms despite changes in ministries following the revolution; (iii) from identification to closing, the team was extensively involved in a policy dialogue with the authorities and independent counterparts, collaborating to ensure that the ultimate goal of this operation would be achieved; and (iv) the project team and the country office developed a high level of cooperation that played a key role in the success of the operation.

5.2 Borrower Performance

(a) Government Performance:

Rating: Satisfactory

123. *The GoE provided strong support to the program.* The authorities were actively engaged in the design of the operation and in its implementation. The authorities remained focused on the success of the development objective as they saw its importance in supporting the low-income housing program. In this context, the government was pro-active and committed to its successful implementation. The authorities' commitment to the program remained post revolution and proceeded with all reforms in a timely manner. Ownership of government was from the start a pre-condition to the success and has remained unconditional till the end.

124. *The Government demonstrated strong ownership of the project and commitment to its objectives.* This was evidenced by the substantial transformational policy reforms undertaken by the Government of Egypt and MOHUUD that strengthened legal, regulatory and institutional framework, these included among others:

- Ratification of the Real Estate Transactions Registration in New Communities Law in June 2013 in consultations with the Ministry of Justice, MOHUUD, New Urban Communities Authority (NUCA), private sector developers, financial intermediaries and civil society.
- Issuance of a Ministerial Decree 10 of 2014 in February 2014, allowing: (i) the streamlining of land and property registration in urban areas through a tripartite agreement between the MOHUUD, Ministry of Justice, and NUCA; (ii) the chairmen of the authority's administrative apparatuses to sign tripartite mortgage finance contracts to streamline the registration procedures. A Ministerial decree issued in January 2015 requires NUCA to sign such contracts within a week after submission by lenders
- Establishment of a Resolution Committee in June 2014 to settle any debatable land contracts with the main residential developers of low-income housing (of which many cases were solved). In addition, new Public Private Partnership (PPP) arrangements are under discussion, as a result of which, the private sector shows renewed interest in the housing sector
- The Central Bank of Egypt (CBE) stimulus for the housing sector through an infusion of below-market-rate funds, totaling LE 20 billion, into the mortgage sector to stimulate the financing of houses for low- and middle-income groups.
- The Social Housing Program was launched in the wake of the Egyptian revolution, a momentum for change, with the goal of providing one million social houses. The Fund is also the entity of the Social Housing Program within the Ministry which is mainly in charge of managing financial resources for social housing programs to ensure its sustainability.
- Ratification of the amendments of the Real Estate Finance Law 148 of 2001 by the President in July 2014, stipulating foreclosure procedures and allowing greater flexibility in setting new limits to the proportion of income to be allocated to mortgage payments, and in establishing qualifying income levels for mortgage-linked subsidies. Those amendments stipulate that 25 percent of tax revenues is directed to developing slum areas and another 25 percent is allocated to local development in rural, poor and marginalized areas.

- Social Housing Law no. 33 in 2014 was ratified on May 2014, establishing the Social Housing Fund (SHF) with the objective of providing houses for low-income households. The SHF was mandated to “propose, plan and release social housing projects, and supervise their implementation, to secure suitable residences for low-income citizens, and land management for low and middle-income citizens.”
- Introduction and enforcement of stricter rules and penalties on fraud, specifically concerning the requirement for occupancy of the subsidized units by the beneficiary and their household, banning disposition of purchased unit for seven years to discourage speculation, and levying financial penalties (LE 50,000 to LE 100,000) or imprisonment terms for providing fraudulent data.

(b) Implementing Agency or Agencies Performance

Rating: Moderately Satisfactory

125. *The MFF is the main agency responsible for the design and overall implementation of the operation with support provided by the Ministry of Investment and MOHUUD.* MFF demonstrated drive for results as evidenced by the completion of the objectives. MFF was instrumental to the success of this operation, and were systematic in the way they went about the design of the operation, seeking advice from the Bank, to keep the implementation moving and get support and advice when they encountered major challenges. The reporting and coordination of actions between the concerned agencies was efficient and timely throughout the life of the project, resulting in a successful operation that went far beyond compliance with identified outcomes as can be seen. The availability of MFF, knowledge and commitment allowed for a timely Board presentation and for an effective implementation and disbursement, despite all political and economic developments at the global and country levels.

126. *The MFF was instrumental in the success of the operation, demonstrating strong project management, proactive resolution of implementation bottlenecks, and delivering project outcomes, as outlined in the results framework at the time of ICR preparation.* MFF shared a general agency wide operations manual published in January 2010. The MFF complied with all fiduciary and operational requirements and proactively monitored developments towards achievement of program objectives. Despite the political upheaval following the revolution and several changes in cabinet, all policy triggers were met. The MFF took strong ownership and leadership throughout project implementation, particularly as their relevance heightened to accommodate demands for affordable housing after the 2011 revolution.

127. *The MFF adjusted rapidly to changing market conditions.* This was evident in the several adjustments to the subsidy program parameters. The MFF has been proactive at improving and accelerating operational processes and strengthening its capacity to adequately implement the Affordable Mortgage Finance Program throughout the project implementation; in addition to the establishment of on- and off-site monitoring and evaluation systems which became an integral part of the MFF functions to enhance transparency and targeting of Housing Subsidies (see section 3.2 for more information).

128. However, the performance of the MFF is deemed Moderately Satisfactory due to the following issues: the MFF did little to advertise the program. It did post educational material on

its website, but the public had no way to find out about the program. The MFF could have been more proactive with regard to embarking on a publicity campaign

(c) Justification of Rating for Overall Borrower Performance:

Rating: Satisfactory

129. Overall Borrower Performance is rated Satisfactory, based on ratings for Government Performance and Implementing Agencies' performance as described above.

6. Lessons Learned

130. The main lesson learnt is that there are critical factors that contributed to the success of the operation, mainly: prior sound and extensive analytical work; strong policy dialogue with the authorities; prompt response to client's needs and the changing environment; provision of complementary technical assistance; conducive legal and regulatory framework; consultations with the different stakeholders; and overall flexibility in implementation of the reforms. All this was crucial to the successful implementation of the project.

131. *Strong analytic underpinning.* This operation benefitted from a number of analytical underpinnings including studies by Hoek-Smit and Diamond, 2008, which documents 25 different case studies of housing finance linked subsidy systems including Chile, Mexico, Morocco, Jordan and South Africa that are in turn based on detailed evaluation studies. Well documented international experiences and academic studies analyzing and comparisons between different housing subsidy programs helped lay a credible blueprint for the development of the Affordable Mortgage Finance Program.

132. *Technical assistance needs to accompany the DPL program to strengthen capacity.* Technical assistance should be considered in a structured and deliberate way at the outset of any future DPL. This ensures that the country benefits from outside expertise with the view to accompany the reforms in a more coherent way to ensure sustainability. Mutual and effective working relationship with the authorities and provision to technical assistance when needed was critical not only for project implementation but for the development of affordable mortgage laws, regulations and policies (section 3.1). It required a team with strong technical expertise to provide technical inputs, such as the technical assistance provided directly to the MOHUUD, on analyzing current housing subsidies.

133. *Consultations with stakeholders and market participants was a recipe for success.* Reforms have been undertaken after a process of close and continuous consultation with various stakeholders, banks, mortgage finance companies, regulatory bodies, CBE, and EFSA. This participative process with wider involvement not only encouraged a more informed evaluation of underlying content of policies but also enhanced the credibility of policies and generated expectations that the reform process will be sustained.

134. *Importance of early and continuous promotion of the program.* MFF did little to advertise the program and it never embarked on a publicity campaign. It did post educational material on its website, but the public had no way to find out about the program. With the official announcement of the CBE program, the true demand for the product has come into perspective—155,000 applications were received within days of the announcement.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing Agencies:

135. *The government and the implementing entity, the MFF were appreciative of the support provided by the World Bank.* The authorities rated the World Bank's performance during the operation as overall highly satisfactory. The operation witnessed close coordination and communication with the implementing entity and the relevant officials, and they acknowledged that the day-to-day support and close supervision of the operation from the field has helped in ensuring successful delivery. The government also clearly stated that they greatly valued the technical assistance and advisory services packaged with the loan.

(b) Donors and Co-financiers:

136. Moreover, various donors, development partners, and international institutions have been providing support for the implementation of the government's overall financial sector reform program through the provision of technical assistance, and analytical work on reforming and restructuring the financial sector, as well as developing the mortgage market in Egypt. This required effective coordination. This cooperation led to mutual design and agreement of conditionality issues that all donors agreed were essential for financial sector reform. In addition, donors were able to do both loan and technical assistance, when coordination was effective. The most effective and successful coordination was with USAID that provided tremendous support to the development of the mortgage market in Egypt.

(c) Other partners and stakeholders

137. Not applicable.

Annex 1. Bank Lending and Implementation Support/Supervision Processes⁸

(a) Task Team members

Name	Title	Unit	Responsibility/ Specialty
Lending and Supervision			
Sahar Nasr	Program Leader	GFM05	TTL
Santiago Herrera	Lead Country Economist	GMF01	Team Member
Dominique Bichara	Director	SECCA	Team Member
Hyacinth Brown	Manager	WFALS	Team Member
Laila Abdel Kader	Financial Sector Specialist	GFM05	Team Member
Akram El-Shorbagi	Senior Financial Management Specialist	GG024	Team Member
Amira Zaky	Senior Executive Assistant	ITSGC	Team Member
Nahla El Okdah	Operations Officer	CFGA3	Team Member
Claude Taffin	Consultant	GFMDR	Team Member
Loic Chiquier	Senior Advisor	GFM3A	Team Member
Marja Hoek Smit	Consultant	GFM05	Team Member
Simon Walley	Lead Financial Sector Specialist	GFM3A	Team Member
Steve Wan Yan Lun	Operations Analyst	GFM05	Team Member
Mohamed El Sherif	Consultant	GSU11	Team Member
Noha Medhat	Consultant		Team Member
Yasmine Wissa	Consultant		Team Member
Hoda Selim	Research Analyst		Team Member
Marwan Ezz Al Arab	Consultant	GFM05	Team Member
Implementation Completion Report			
Ghada Waheed Ismail	Financial Sector Specialist	GFM05	Co-TTL
Karim Badr El Din	Financial Economist	GFM05	Co-TTL
Mostafa Abdelkader	Consultant	GFM05	Team Member
Hana Marei	Consultant	GFM05	Team Member

(b) Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of Staff Weeks	US\$ Thousands (including travel and consultant costs)
Lending		
FY09	25.17	188,376.70
FY10	9.49	71,386.51
FY11	0	5,478.45
FY12	0	1,202.19
TOTAL:	34.64	266,443.85
Supervision/ICR		
FY10	1.38	84,562.24
FY11	18.26	150,422.94

⁸ For programmatic DPL, Annex 1 will have multiple entries, as applicable, to include relevant data on each individual operation in a programmatic series.

FY12	9.98	54,385.13
FY13	15.26	271,793.55
FY14	19.29	90,450.63
FY15	1.45	59,497.21
TOTAL	65.62	711,111.70

Annex 2. Summary of Borrower's ICR and/or Comments on Draft ICR Arab Republic of Egypt



Guarantee and Subsidy Fund

Bringing affordable housing within the reach of Millions of low-income families:

In 2006, the Egyptian Government decided to address the issue of affordable housing in Egypt by activating the use of mortgage linked subsidies that would reduce the down payment and monthly installments to an affordable level. This was done through an agency named the Mortgage Finance Fund (MFF), which was created by the mortgage law of 2001. The MFF started working with banks to offer special mortgage rates to eligible applicants.

On April 24th 2008 the Minister of Investment, and the Minister of Housing, Utilities and Urban Development requested the World Bank's support in the design and implementation of the new Affordable Mortgage Finance Program to be operated by the Guarantee and Subsidy Fund/ Mortgage Finance Fund (GSF/MFF)². The program aimed at addressing the persistent gap in Egypt between incomes and the cost of new housing at the middle income level. It was estimated that around 175,000 to 200,000 new housing units are needed annually to keep pace with household formation, but only the top 10 to 20 percent of the income distribution can afford to acquire a house from the formal sector. The new program was designed to expand the residential mortgage market and increase access to mortgage loans for low and middle income households as it focuses on the 75th to 45th percentile of the urban income distribution and gradually moves the bulk of subsidies to the lower income range. Lower income households, below the 45th percentile who would not have had access to mortgage credit, will benefit from other low-cost rental housing programs.

The US\$300 million three tranche Affordable Mortgage Finance Program Development Policy Loan (DPL) was structured in such a way that by the time the last tranche is disbursed in 2013, a strong policy, legal and regulatory system for the program would have been established, as well as the necessary institution for its implementation, monitoring and adjustment. All the needed actions for the three tranches were met and fulfilled prior to the closing date.

²The Guarantee and Subsidy Fund (GSF) was renamed the Mortgage Finance Fund (MFF) after the separation of the guarantee and subsidy functions.

Some delays were faced in delivering the desired number of subsidies per month due to limited stock of housing units as a result of slow-down in construction activities since the Egyptian revolution in 2011 and change in regime in 2013. With the launch of a new program (Social Housing Program in 2014), more and more units became available and the MFF started effective implementation and has reached the level of processing more than 5000+ mortgage linked subsidies application per month which will lead to achieving the targets set for the operation which were subsidizing 65000 annual mortgage linked subsidies. MFF plan to accelerate our closing rate to 10,000- 15000 per month so as to fulfill the GOE target which aims at delivering one million units in five years. Recently, MFF, the MOHUUD and banks have worked on simplifying the procedures of obtaining the mortgage subsidy for applicants.

A. Brief Overview for accomplished actions:

In response to challenges, the Government of Egypt and MOHUUD have undertaken substantial transformational policy reforms that strengthened legal, regulatory & institutional framework:

- Ratification of the Real Estate Transactions Registration in New Communities Law in June 2013 in consultations with the Ministry of Justice, MOHUUD, New Urban Communities Authority (NUCA), private sector developers, financial intermediaries and civil society.
- Issuance of a Ministerial Decree 10 of 2014 in February 2014, allowing: (i) the streamlining of land and property registration in urban areas through a tripartite agreement between the MOHUUD, Ministry of Justice, and NUCA; (ii) the chairmen of the authority's administrative apparatuses to sign tripartite mortgage finance contracts to streamline the registration procedures. A Ministerial decree issued in January 2015 requires NUCA to sign such contracts within a week after submission by lenders
- Establishment of a Resolution Committee in June 2014 to settle any debatable land contracts with the main residential developers of low-income housing (of which many cases were solved). In addition, new Public Private Partnership (PPP) arrangements are under discussion, as a result of which, the private sector shows renewed interest in the housing sector
- Expanding housing options for the lowest income groups, particularly the impoverished youth, and improving their access to housing, public services and employment became key priorities for the Government post-revolution.
- The GOE adopted a stimulus program in 2014, with the housing sector being a priority. The Central Bank of Egypt (CBE) implemented a second stimulus for the housing sector through an infusion of below-market-rate funds, totaling LE 20 billion, into the mortgage sector to stimulate the financing of houses for low- and middle-income groups. The low- income component of the stimulus provides banks and their affiliated mortgage companies with low cost funds to issue mortgage loans at five and seven percent interest rates with a 20 year term, and targets households with incomes as low as LE 1,400 per month.
- The Social Housing Program was launched in the wake of the Egyptian revolution, a momentum for change, with the goal of providing one million social houses. The Fund is also the entity of the Social Housing Program within the Ministry which is mainly in charge of managing financial resources for social housing programs to ensure its sustainability.
- Ratification of the amendments of the Real Estate Finance Law 148 of 2001 by the President in July 2014, stipulating foreclosure procedures and allowing greater flexibility in setting new limits to the proportion of income to be allocated to mortgage payments, and in

establishing qualifying income levels for mortgage-linked subsidies. Those amendments stipulate that 25 percent of tax revenues is directed to developing slum areas, and another 25 percent is allocated to local development in rural, poor and marginalized areas.

- Social Housing Law no. 33 in 2014 was ratified on May 2014, establishing the Social Housing Fund with the objective of providing houses for low-income households. The SHF was mandated to “propose, plan and release social housing projects, & supervise their implementation, to secure suitable residences for low-income citizens, & land management for low and middle-income citizens.”

- Through the Affordable Mortgage Finance, transformation to demand-side housing subsidies, moving from inefficient and poorly targeted supply-side housing subsidies that went to the large developers, to a transparent, well-targeted and economically efficient demand-side subsidy system.

- Improving housing sector information by issuance of a new housing-price index.

- Introduction and enforcement of stricter rules and penalties on fraud, specifically concerning the requirement for occupancy of the subsidized units by the beneficiary and their household, banning disposition of purchased unit for seven years to discourage speculation, and levying financial penalties (LE 50,000 to LE 100,000) or imprisonment terms for providing fraudulent data.

-

Since 2008 up till now MFF had a close relation with the World Bank staff who carried supervision missions at least twice a year. The missions main objectives were to assist, supervise and discuss with the different counterparts the status and performance of the Affordable Mortgage Finance Program DPL and ensure that the operation is contributing to the provision of affordable housing to low- and middle-income households which was a key demand of the January 25th Revolution. The team assessed the progress made by the Egyptian authorities in the implementation of the Program, and provided continuous technical assistance to all counterparts.

The affordable housing finance subsidy program objective was to design and implement mortgage finance subsidy programs and products targeted to applicants earning less than the maximum determined by the executive regulations of the Mortgage Finance Law 148. The maximum income for single nowadays is LE 30,000 annually for individuals and LE 42,000 annually for families. To be eligible, applicants may not have previously owned a house (first-time homebuyers) or received a housing subsidy under any other governmental program.

B. Business Lines: The Mortgage Finance Fund (“MFF”) has two primary lines of business which operate independently as follows:

1. Affordable Housing Finance Subsidy Program.

2. Mortgage Finance Guarantee.

MFF provides housing subsidies for needy citizens, MFF uses new technology and automated operations, and eliminates paperwork and accelerated mortgage applications by more than 80 percent, this increases speed and efficiency and therefore its impact on society has grown exponentially: from a small agency that handled around 300 cases annually; to now a major national institution that will help up to 65,000 citizen’s purchase their first home yearly.

The MFF low-income subsidy program has two components:

- (1) A mortgage loan payment subsidy (buy down).
- (2) For the lowest income groups, a down payment subsidy as well.

The program is intended to enable low-income borrowers to qualify for market interest rate mortgage loans and its parameters are modified taking into account economic trends (e.g. inflation). The payment buy-down component has been developed to lower the cost of debt service for first-time homebuyers who are low-income borrowers.

There are two subsidy payment schemes, whose access is determined by the household income level. Based on the level of household income an eligible beneficiary can benefit from a payment buy-down (loan payment) or a combination of a buy down subsidy and an up-front (down payment) subsidy.

Mortgage Loan Payment “Buy-down” Subsidy

For the buy-down subsidy component, the MFF pay the mortgage lender the difference between the monthly loan payments affordable to the borrower, and the monthly payments of a market loan. The MFF payments to the lender would decrease over a number of years as the borrower payment increases according to rules set by MFF. The total amount of subsidy received is set by MFF according to the income of the borrower. The lender would employ their own underwriting criteria in determining the borrower’s loan approval or declination.

The MFF eligibility requirement is as follows:

- The borrower must be a first time homebuyer, which will be checked by the MFF.
- Adherence to the specified income limits established for the program, which will be checked and certified by the MFF.
- Lender ensures that the borrower debt ratio does not exceed 35% of borrower’s total income (under current regulations). This figure may change in accordance with any future regulation change.
- Lender ensures that due to borrower monthly payment increase will not exceed 7 % annually over a period of 10 years.
- Lender ensures that the borrower's loan payment made at CBE initiative interest rates which vary from 5% for income level below LE 1200 and equal to 7% for income level above LE1200 and 8% for income level LE 3500 and above will fully amortize the loan over the term.
- The payment buy down subsidy will be paid to the borrower through an escrow account open for the length of the buy down period. No escrow funds will be disbursed by lenders without receipt of the borrower's share of the monthly payment. MFF is entitled to reimbursement of the remaining funds in the escrow account if the property is sold before the escrow account is depleted. This right is documented in the Master Agreement between MFF and each participating lender. Lenders are allowed to invest in safe securities the funds of the escrow accounts.

Down Payment Subsidy

The down payment subsidy is granted to the lowest borrower income groups. The down payment amount is set according to MFF rules and is in addition to the down payment provided by the borrower. The minimum required borrower down payment is 15% of the property value. The maximum borrower down payment allowed for any loan with a MFF subsidy is 50% of the property value. MFF is entitled to a prorated reimbursement, based on the proceeds of the sale of the upfront subsidy if the property is sold in the first seven years from disbursement of the loan or in a foreclosure proceeding by the lender in the same period. This right must be properly documented in the Master Agreements and Tri parties' agreements.

C. Financial Institution Participation Requirements:

Financial Institution Participation Eligibility: MFF enter into a master program participation agreement, "Master Agreement", with each lender acceptable to the MFF. The agreement between both parties will indicate the responsibilities of the lender and MFF. It will include the amount of time required to perform their respective responsibilities and to make remittances. The Master Agreements are standard among all mortgage lenders and modifications will only be considered when they are applicable to all lenders on equal terms. These agreements are important for both parties. For the lenders it should provide a degree of confidence that a government entity, the MFF, will perform and pay subsidy claims in a timely manner and in the time frame agreed upon in the contractual agreement. For the lender it specifies exactly what they need to do and when they need to do it in order for them to receive the benefits for which they have applied.

The MFF signature of master agreement will be based on the following:

- 1) *The lender is a licensed financial institution authorized to provide mortgage loans.*
- 2) *The lender is in good standing with its regulatory authority, CBE or EFSA.*
- 3) *MFF will monitor the lender subsidy program performance.*
- 4) *MFF will audit lender subsidy program compliance.*
- 5) *The lender agrees to close all MFF subsidy program loans utilizing the Tri-Party Agreement.*
- 6) *The lenders should follow the Tri-Party Agreement.*

D. Application for Mortgage Lender Certification:

A bank or mortgage finance company may become a MFF- certified mortgage lender upon: (1) submitting an acceptable Application for Certification and other materials as are determined by the Board of Directors of the MFF (2) meeting the MFF's certification requirements, Mortgage brokers are not eligible to become Certified Lenders.

Certification Criteria

To be eligible for certification; a bank or a mortgage finance company; must be active in the mortgage business, be properly registered with the (CBE) or (EFSA) (thus meeting financial and regulatory requirements) and is in good standing with its primary regulator, with either (CBE)

or (EFSA). Banks will have to submit documentation of CBE approval to engage in mortgage lending.

Certified Lender List

All certified MFF mortgage lenders are listed on the MFF website. A list providing the names, office locations and contact information for all certified lenders is published by the MFF periodically in the newspapers and is available to the public at all MFF office locations. When a prospective MFF subsidy applicant contacts the MFF, the applicant will be provided with a list of MFF certified lenders.

Reports and Examinations

MFF may, at any time, require a certified mortgage lender to report on any matter related to its MFF operations. This may include the inspection of mortgage loan files, reports, records, books, or accounts. Representatives of the MFF may periodically visit a certified mortgage lender's office to review its origination and servicing procedures. Certified lenders will report to the MFF the status of loans being processed and, after origination, the performance of subsidized loans.

Administrative Actions, Administrative Sanctions

MFF Board of Directors is authorized to take administrative actions, including revocation of master agreement against a certified mortgage lender that does not comply with MFF requirements.

E. Lender (Financial Institution) Underwriting Requirements:

MFF signed 17 agreements with different financial institutions including both public and private banks, 14 of which are active and working while the remaining three are about to start working very soon. MFF objective of the affordable housing finance subsidy program operation is to make the process as simple as possible for lenders while assuring that the government subsidy funds are being allocated to the targeted, low-income borrowers.

MFF will certify and provide to the lender (and borrower) a Certificate of Eligibility that states:

- 1) That the subsidy applicant is a first-time home buyer/subsidy recipient by checking the, MOH data and MFF database.
- 2) That the subsidy applicant meets the income ceilings based on documentation submitted and reports the income verified to the lender.
- 3) The value of subsidy for which the subsidy applicant qualifies
- 4) The monthly income verified by investigation for the borrower underwriting.
- 5) Additionally, the MFF will provide the lender with a copy of the Investigation Report obtained by MFF for the borrower.

Lenders are asked to underwrite and approve or reject the MFF subsidized loans based on their own internal policies and procedures. It is expected that the lender will check the borrower credit

worthiness by obtaining an I-Score¹⁰ report and assure that the proper debt to income service ratios are met. In case an appraisal for the property is not supplied by MFF, the lender will provide an appraisal valuation to the property. If a Master appraisal has been already completed, a copy can be obtained from MFF or the lenders file to meet this requirement. All lenders are required to join and execute a Master Program Participation Agreement with the MFF prior to the MFF remitting any subsidy funds to the lender.

F. Lender Loan Closing Requirements:

There are two additional requirements that lenders need to adhere to with respect to closing a MFF Subsidy loan. In addition to, the lender normal loan closing process:

1. The lender must notify MFF at least seven (7) days prior to the closing date that the subsidy funds are required by the lender. The seven days advance notice will allow MFF to have the necessary funds transmitted to the lender prior to the loan closing date.
2. The subsidy loan must be closed using the Tri-Party Agreement as specified by the MFF. This agreement will assure that the MFF interests as well as those of the lender; borrower and seller are legally preserved.

G. Lender servicing and reporting requirements:

All lenders are required to report on a monthly basis the status of all MFF subsidy loans that the lender is servicing. This includes new originations and existing subsidy loans segregated by current loans, delinquent loans, loans in foreclosure or forced sale status and any loans that have been paid, retired or otherwise removed from the lenders future servicing reporting. Any unused MFF Payment subsidy funds that remain in the borrower payment escrow account will be remitted to MFF if the loan is paid off before those funds have been used. Additionally, the borrower is liable for a prorate return of the MFF Down Payment subsidy if the property is sold and as a consequence the loan is paid off before it is 7 years (84 months) old According to the schedule.

H. Audits:

MFF has the right and ability to perform an onsite lenders audit, in accordance with the terms of the Master Agreement. MFF management do consider on site audits, either by a formal or informal method, day to day and routine audits takes place through MFF reporting automated system. For example concerns with data accuracy or incomplete documentation can be addressed and corrected fairly easily and if so should not have to be a basis for an onsite audit. Lender procedures that are inadequate may take a little more time for the lender to correct but should not require an onsite audit, unless no action is taken.

Incidents of fraud or misrepresentation by a lender representative or service provider should never be tolerated. In these cases MFF may need to conduct an onsite audit to assure that loans closed where participation of a suspected person was involved are acceptable under the subsidy program requirements and that no misrepresentation has occurred.

¹⁰ The private credit bureau

MFF audits at least 5 % yearly of loan cases of each lender. MFF management implemented a performance based reporting system in cooperation with IBM Company to monitor lender and branch office performance in comparison to their peer groups. Outliers would be the targets of adverse selection based audit.

I. Overview of MFF Nowadays:

The first five years of the MFF were a success: each year, it helped around 300 citizens purchase their own homes for the first time. But MFF wanted to do more. Working with the World Bank, MFF sought to scale its operations up to serve 65,000 customers per year. Thus, wants to help more than 160 times as many people purchase new homes, but we could not afford to employ 160 times as many staff. The only option was to find a smarter way of working.

J. Transforming paper-based processes:

The key was to replace the MFF's existing processes, which were mostly paper-based, with a more automated solution, which will provide executives with reliable information for decision-making, "Thus, by automating our loan appraisal processes, enterprise content management empowers us to help more citizens find affordable housing, more quickly."

K. MFF Workflow:

Phase one transformed the way the MFF interacts with lenders and other players in the loan appraisal process. When a citizen makes an application for a housing subsidy, their details are entered into the new system, which go into set of workflows.

First, MFF employees perform initial checks to ensure that the applicant has not received a subsidy before. Next, the appropriate subsidy level and maximum loan thresholds are automatically calculated based on the applicant's income.

Information about the applicant is sent to a third-party company that performs background checks, and – provided these checks reveal no issues – the application file is then sent to the lender for loan approval. If all documentation is in order, the contracts are then generated and sent to the applicant for their signature.

L. Accelerating the loan appraisal process:

Instead of waiting a year for mortgage approval, MFF customers now can be ready to purchase their new homes in less than two months. Also, MFF can monitor exactly where any client application is in the process, so MFF can respond to the customers' inquiries instantly and they could check directly through call center service or MFF portal. Hence, MFF started on June 2012 Subsidy Loan Automation Solution in cooperation with IBM Company and under the auspices of the Ministry of Communication and Information Technology.

MFF no longer stores hard ware and paper files, MFF no longer losing important paperwork or waiting days for documents to be delivered from one place to another all is done nowadays automatically. Applicants now can apply on line and know the subsidy amount he/she eligible for from MFF portal using Loan calculator thus reducing the time between applying for getting the subsidy till the application approval.

M. Scaling up to meet social needs

MFF can now support many more customers and many more banks without needing to hire more people. MFF transformed its management processes and improved worker efficiency through introducing new software solutions which improved:

- 1) The archiving of all the data and documents related to the loan appraisal process.
- 2) Tracking the loan appraisal process in each step.
- 3) Supporting the decision support by generating operational and statistical reports.

MFF Units Allocation nowadays is done automatically so as to, save time and effort for MFF employees. Ensure equity between applicants and giving more trust for them as the process is automated and cannot be modified by MFF employees.

N. MFF Subsidy Disbursements

According to the last National Housing Program Subsidy, MFF provided banks working on that program subsidy which was equivalent to the difference between the present value estimated yield of 1.5% per annum for 20 years so that the banks could continue to provide mortgage finance for the program at a low price interest rate which was 10.50% based on a memorandum of understanding signed in March 2010 between the Minister of investment and Minister of housing, Utilities and Urban communities and the Governor of Central Bank of Egypt as well as the letter of the Governor of Central Bank of Egypt to the Minister of investment on 28 of September 2010 concerning the same regard. Thus, the total value of the Indirect Subsidy disbursed is LE. 179 million pounds covering a total number of customers 58,092 clients by 2013.

With the CBE launching a new initiative as of April 2014 to stimulate the financial banks and mortgage finance companies toward providing mortgage loans for citizens of low-income with an amount of LE 20 billion, a low interest rate of 5% and 7% were applied to customers instead of 14% and 16% market interest rate. Those, of monthly income less than LE 1,400 a 5% interest rate were applied to their mortgage finance loans while customers with monthly income greater than LE 1,400 receives 7% interest rate on their mortgage finance loans. Thus, total direct subsidy to low income customers to date is almost LE 700 million, covering almost around 35 000 customer as of May 2016 with an average subsidy of LE 19 500 per customer.

Table 1 : Total Registered and Accepted Applicants According to Income to date under CBE initiative

Income level	Registered Applicant (RA)	Weighted Average for RA	No of Accepted Applicants (AA)	Weighted Average for AA	Weighted Average of Accepted applicants to income tranches %
500	2997	1.9%	650	0.7%	22%
1000	12038	7.7%	5744	6.4%	48%
1100	8633	5.5%	4986	5.5%	58%
1200	11230	7.2%	6458	7.2%	58%
1300	11588	7.4%	6742	7.5%	58%
1400	9738	6.2%	5975	6.6%	61%
1500	16180	10.3%	9600	10.6%	59%
1600	9532	6.1%	6069	6.7%	64%
1700	9357	6.0%	5943	6.6%	64%
1800	10584	6.8%	6609	7.3%	62%

1900	7089	4.5%	4484	5.0%	63%
2000	12621	8.1%	7420	8.2%	59%
2100	6092	3.9%	3792	4.2%	62%
2200	6575	4.2%	4040	4.5%	61%
2300	5776	3.7%	3068	3.4%	53%
2400	4363	2.8%	1936	2.1%	44%
2500	5508	3.5%	2862	3.2%	52%
2600	1432	0.9%	864	1.0%	60%
2700	1287	0.8%	754	0.8%	59%
2800	1266	0.8%	749	0.8%	59%
2900	1134	0.7%	655	0.7%	58%
3000	1396	0.9%	810	0.9%	58%
Total	156416	100.0%	90210	100%	
Average disbursed subsidy			19500		

Table 2: Total Registered & Accepted Applicants According to Social Status as of May 2016

Social status	Registered Applicants	%	Accepted Applicants	%	Accepted and received subsidy	%
single	28778	18.4	16536	18.3	6538	19.5
Married	43185	27.6	28670	31.8	14874	44.3
Married with kids	75383	48.2	39851	44.2	10611	31.6
Divorced	975	0.6	566	0.6	221	0.7
Divorced with kids	5060	3.2	2977	3.3	911	2.7
Widowed	207	0.1	101	0.1	35	0.1
Widowed with Kids	2828	1.8	1509	1.7	351	1.0
Total	156416	100	90210	100	33541	100

Table 3: Total Registered & Accepted Applicants according to Gender as of May 2016

Gender	Registered Applicants	%	Accepted Applicants	%
Male	120504	77.0	76698	85.02
Female	35912	23.0	13512	14.98
Total	156416	100	90210	100

Table 4 : Social Housing Project - Performance Report from May 2014 - May 2016

Phase 1

City	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Assiout	1008	1371	1114	173	205	993	722	16	327
Elsadat	2040	1254	2322	101	197	956	1327	176	790
10th of Ramadan	8700	18327	12863	4540	2558	11229	6994	174	5199
Sub Total	11748	20952	16299	4814	2960	13178	9043	366	6316

Phase 2

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Beheira	Damanhour	264	1680	603	929	291	460	245	3	341
Suez	Ataka	3000	4105	3101	267	858	2980	972	40	1715
Monoufia	Sadat (Khatatba)	1536	1764	228	1127	141	496	2	7	210
	Berket Elsabe'	48	56	90	3	14	39	12	5	70
	Sers Ellayan	30	126	101	4	23	99	9	9	81
	Shebin Elkom	96	832	751	24	176	632	65	3	611
	Kowesna	752	1059	896	28	236	795	432	10	439
	Monouf	108	251	179	26	69	156	23	5	148
Wadi Gedid	Paris	96	5	3	2	0	3	0	0	2
Cairo	Badr	1320	3452	2354	566	706	2180	970	27	1229
Borg Elarab	Borg Elarab	672	1119	740	189	330	600	235	15	440
Bani Sweif	Bani Sweif Elgedida	960	2836	1441	434	364	2038	373	43	964
	Bayad Elarab	480	1120	430	315	194	611	115	17	297
Souhag Elgedida	Souhag	312	848	406	306	171	371	75	8	317
Kena	Abou Tesht	288	16	14	0	7	9	1	2	11
	Nag' Hamadi	192	1287	470	664	299	324	15	2	438
Sub Total		10154	20556	11807	4884	3879	11793	3544	196	7313

Phase 3

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Aswan	Elsadaka	1632	8676	3261	5007	568	3101	539	43	2605
Assiut	Mankabad	888	1642	728	816	144	682	287	6	421
Luxor	Eldair	504	192	109	63	24	105	1	0	106
	Elshaghab	96	7	5	2	1	4	0	1	4
Ismailia	Abou Atwa	800	2717	565	2159	36	522	201	9	347
	Tal Kebir	480	62	26	29	7	26	0	8	18
	Kassasseen	216	208	95	69	45	94	10	4	79
	Kantara Shark	640	329	154	174	6	149	0	62	88
	Fayed	672	711	336	252	137	322	57	8	271
Bahr Ahmar	Kosseir	256	421	224	130	80	211	55	5	161
	Ras Ghareb	416	892	553	191	168	533	182	0	350
Beheira	Rahmania	330	375	151	156	71	148	30	4	118
	Mahmoudeya	250	696	124	510	65	121	22	0	102
	Badr	140	432	130	262	50	120	18	5	107
	Hosh Eissa	256	1690	501	1022	167	501	230	10	261
Dakahleia	Kafr Eldawar	426	1858	406	1391	62	405	193	4	205
	Gamassa	3072	9302	2421	6573	337	2392	1168	38	1162
Sharkeia	Hossaineia	40	325	159	120	56	149	41	4	116
	Hehya	236	1589	798	552	275	762	183	7	571
Gharbeia	Zefta	60	470	323	122	36	312	0	112	170
	Tanta	180	2911	1025	1838	98	975	0	302	496
	Kafr Elzayat	432	438	281	167	24	247	35	33	202
Fayoum	Tameya	288	773	334	366	96	311	14	0	237
	Hawarat Elmakta'	1248	323	105	162	57	104	0	13	91
Cairo	Elsalam	2482	24687	10886	10355	3140	11192	2011	118	7337
Kalyobeia	Elkhanka	1200	2912	1937	465	588	1859	576	11	1327
Monoufia	Berket Elsabe'	48	527	254	223	58	246	35	4	208
	Shebin Elkom	144	2003	1214	597	235	1171	89	11	941
	Monouf	240	685	429	240	77	368	77	1	340
Elwadi Elgedi	Elkharga	96	2259	1310	727	249	1283	54	7	948

	Eldakhla	96	502	273	207	16	279	10	3	212
	Paris	96	39	24	16	2	21	0	0	24
	Balat	120	42	20	15	5	22	0	0	19
Souhag	Elkawсар	360	906	415	406	133	367	64	3	342
	Souhag	72	897	325	483	95	319	22	2	236
	Tama	24	163	79	62	28	73	9	0	70
Kena	Hager Elgabal	144	892	436	331	172	389	0	2	423
Kafr Elsheit	Elhamoul	720	347	92	250	10	87	12	9	68
	Balteam	272	1153	282	848	39	266	80	4	206
	Motobas	96	90	40	52	3	35	15	1	21
Marsa Matrouh	Elhammam	340	20	9	5	5	10	0	0	8
Sub Total		20108	75163	30839	37415	7465	30283	6320	854	21018

Phase 4

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Aswan	Edfou	368	189	178	32	22	135	6	9	158
	Draw	264	865	725	477	55	333	48	30	491
	Nasr Elnoba	504	2056	1697	235	232	1589	78	39	1070
Assiut	Abou Tig	240	72	53	17	5	50	6	3	44
	Abanoub	672	746	527	88	137	521	73	16	433
	Elbadari	456	12	6	3	1	8	0	0	5
	Elghanayem	216	726	384	254	109	363	54	21	250
	Dayrout	888	386	287	59	46	281	35	8	236
	SahelSelim	672	198	138	27	33	138	16	1	119
	Sadfa	96	89	58	17	14	58	16	1	38
	Manfalot	888	128	97	17	14	97	8	5	80
	Mankabad	2472	771	1242	106	105	560	85	19	1077
Luxor	Elshaghab	144	5	4	0	1	4	0	0	4
Bahr Ahmar	Kosseir	48	68	51	6	10	52	4	0	36
	Ras Ghareb	80	119	76	29	13	77	20	1	41
Beheira	Badr	352	239	163	26	52	161	12	9	136
	Wadi Elnatron	1084	553	443	40	76	437	65	4	366
Dakahlia	Agga	10	467	237	193	43	231	0	29	164
	Manzala	90	704	280	400	21	283	17	3	199
	Belkas	30	54	41	6	5	43	0	7	29
Suez	Ataka	1108	7715	4970	2078	640	4997	640	41	2389
Sharkeia	Aboukebier	144	600	224	273	99	228	8	12	185
	Awlad Sakr	48	72	45	15	10	47	1	1	42
	Belbeis	24	1161	652	381	126	654	10	4	407
	Fakous	96	842	387	345	105	392	2	12	324
Gharbeia	Santa	80	1630	804	642	171	817	28	8	567
	Elmahala	555	1575	683	670	199	706	135	3	529
	Basioun	380	422	575	165	40	217	69	13	408
Fayoum	Samanoud	102	285	221	32	41	212	9	9	157
	Tameya	1104	184	146	28	8	148	6	0	138
Kalyobeia	Elkhanka	1996	1200	1019	167	146	887	158	18	697
	Ashmoun	288	1050	216	748	49	253	40	3	171
Monoufia	Sadat (Khatatba)	36	7453	966	5350	145	1958	0	22	875
	Sers Ellayan	984	312	230	45	33	234	16	1	146
Wadi Gedid	Eldakhla	144	69	38	23	7	39	0	0	32
	Elkharga	144	87	198	17	3	67	0	5	90
Bani Sweif	Elfashn	768	1496	1138	233	129	1134	79	7	900
	Bani Sweif Elgedidd	2494	6935	3978	2272	659	4004	454	17	2349
	Bayad Elarab	568	1568	1253	131	187	1250	127	26	996
Souhag	Mansha'a	72	198	111	45	36	117	6	0	104
	Giheina	312	291	196	30	64	197	17	3	175
	Sakalta	24	223	139	27	50	146	0	6	113
North of Sina	Elhasna	48	0	0				0	0	0
	Be'r Abd	32	210	118	57	34	119	0	3	110
	Nakhl	32	0	0				0	0	0
Kena	Elwakf	144	87	75	9	5	73	11	1	62
	Kous	144	94	66	20	8	66	14	0	52
	Nag' Hamadi	672	1669	692	941	37	691	155	11	519
	Nafada	480	188	155	25	3	160	23	2	126

Marsa Matrouh	Elalamein	120	94	50	14	29	51	0	3	47
Sub Total		22717	46157	26032	16815	4057	25285	2551	436	17686

Phase 5

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Aswan	Aswan	1880	1921	1518	270	75	1576	409	43	1062
Sadat	Sadat	1800	2528	2180	203	88	2237	583	63	1405
Cairo	Kahera Gadida	1896	97654	3872	9049	9062	79543	715	191	2270
	Badr	4416	8247	15691	641	652	6954	3037	624	6534
Borg Elarab	Borg Elarab	4152	960	715	95	135	730	199	18	472
Bani Sweif	Bani Sweif Elgedida	3120	918	731	95	71	752	128	3	583
Souhag	Souhag Elgadida	360	1624	1234	201	160	1263	345	13	888
Luxor	Tiba Elgadida	1584	2751	2209	223	280	2248	703	52	1432
Kena	Kena Elgadida	504	1213	894	147	118	948	253	9	624
Sub Total		19712	117816	29044	10924	10641	96251	6372	1016	15270

Phase 6

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Marsa Matrouh	Elhammam	640	1074	702	217	153	704	228	18	427
Sub Total		640	1074	702	217	153	704	228	18	427

Phase 7

Governorates	Localities	No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Giza	Dahshour	12528	86564	24654	17739	3075	65750	6532	930	11396
Sub Total		12528	86564	24654	17739	3075	65750	6532	930	11396

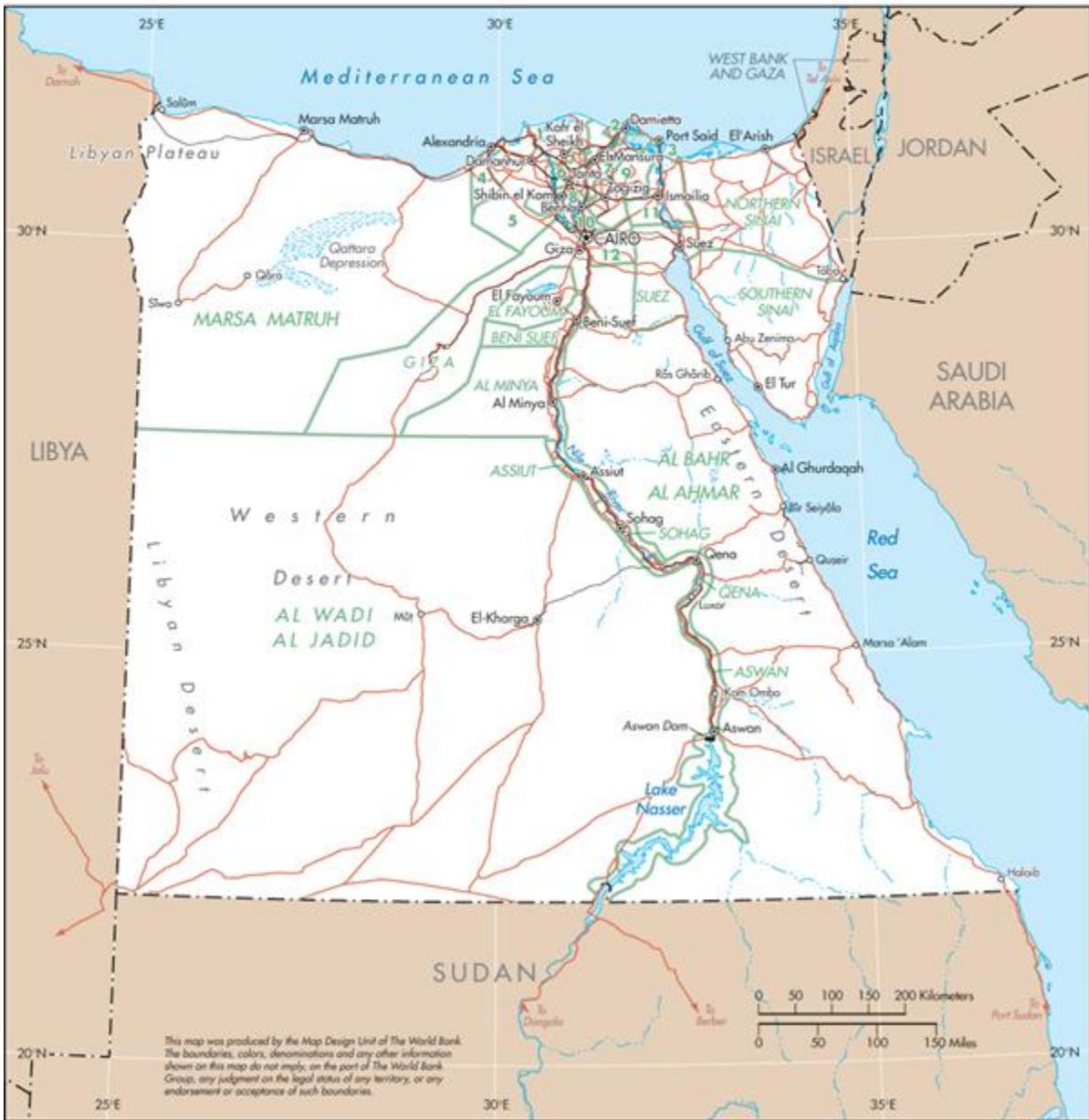
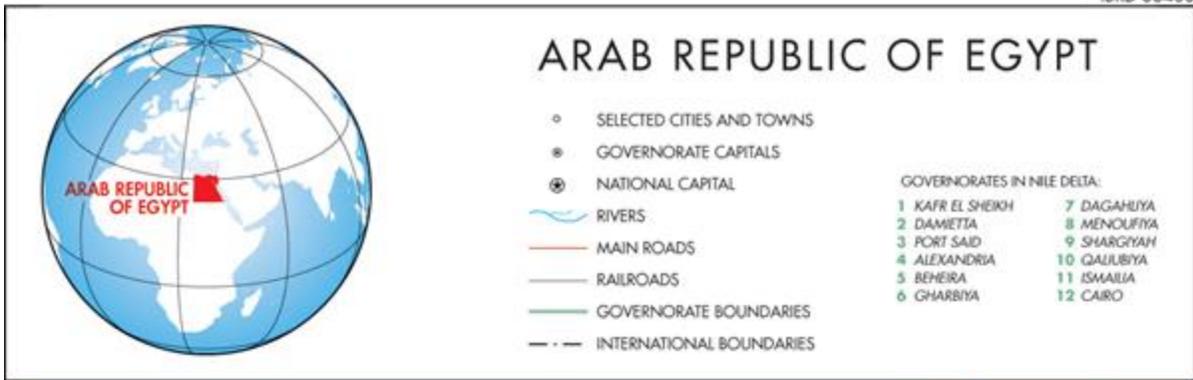
		No. of Units	No. of Applicant	Registered applicants	Non-applicable Requests	Withdrawals	Applicable Requests	Allocated Units	Under-allocation Units	Rejected Applicants
Total		97607	368282	139377	92808	32230	243244	34590	3816	79426

Annex3. List of Supporting Documents

1. Program Document, [August 24, 2009]
2. Letter of Development Policy, [April 2, 2009]
3. Tranche Release Document, [June 6, 2010]
4. Loan Agreement, [December 12, 2009]
5. Letter of Effectiveness [April 29, 2010]
6. World Bank Missions Aide Memoires
 - Identification Mission: July 1-8 2008
 - Supervision Mission: July 4-8, 2010
 - Supervision Mission: January 10–16, 2011, February 20–24, 2011
 - Supervision Mission: September 25–27, 2012
 - Supervision Mission: April 20–24, 2013
 - Supervision Mission: *February 2–6, 2014*

Annex 4. [MAP]

IBRD 33400



NOVEMBER 2004

Annex 5. Affordable Mortgage Finance Development Policy Loan Policy Matrix

MAIN OBJECTIVES	FIRST TRANCHE PRIOR POLICY ACTIONS FOR BOARD APPROVAL ON JUNE 2009	SECOND TRANCHE* JUNE 2011	THIRD TRANCHE* JUNE 2013	LONG-RUN INDICATIVE POLICY MEASURES AND MONITORING INDICATORS
I. Strengthening the Legal, Regulatory and Institutional Framework for the Mortgage Finance Subsidy Program				
<p>Adopt policy measures to create and adjust a demand-driven and credit-linked subsidy scheme</p>	<ul style="list-style-type: none"> ▪ Enactment of joint Ministerial Decrees: (i) establishing the Housing Subsidy Policy Committee; and (ii) determining the core features of the new subsidy program 	<ul style="list-style-type: none"> ▪ Determination of the subsidy parameters in line with changes in macro-economic and housing sector changes (<i>through amendment to the Ministerial Decree</i>) 	<ul style="list-style-type: none"> ▪ A second amendment to Ministerial Decree determining subsidy program parameters revising program features based on a model using defined income, macroeconomic and housing sector indices 	<p>Transparent Mortgage-linked subsidy scheme for eligible home buyers</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Timely and accurate time series data points (CBE, CAPMAS, and Real Estate Observatory) to revise the main parameters of the mortgage subsidies program.
<p>Strengthen the GSF—the implementing entity for the new subsidy program</p>	<ul style="list-style-type: none"> ▪ Issuance and submission to the Prime Minister, of a joint Ministerial Memo from the Minister of Investment and Minister of Housing, Utilities and Urban Development, separating functions and staff for subsidy and guarantee operations of GSF ▪ Issuance of joint Ministerial Memo by Ministry of Investment and Ministry of Housing, Utilities and Urban Development, halting the property development role of GSF 	<ul style="list-style-type: none"> ▪ Effective separation of functions and staff for the subsidy and guarantee units of GSF 	<ul style="list-style-type: none"> ▪ Establishment of regulations for the reformed GSF, ensuring an adequate capital base for potential participation in mortgage insurance scheme or other guarantee function ▪ Introduction of a mortgage insurance or guarantee functions 	<p>Improved governance structure, efficiency and accountability of GSF and an effective mortgage default insurance program</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Number of GSF staff dedicated to the mortgage subsidy program ▪ Number of subsidies-to-number of GSF staff dedicated to the mortgage subsidy program ▪ Number of institutions using mortgage insurance
II. Developing an Effective and Efficient Mortgage Finance Subsidy Mechanism				

MAIN OBJECTIVES	FIRST TRANCHE PRIOR POLICY ACTIONS FOR BOARD APPROVAL ON JUNE 2009	SECOND TRANCHE* JUNE 2011	THIRD TRANCHE* JUNE 2013	LONG-RUN INDICATIVE POLICY MEASURES AND MONITORING INDICATORS
Design, implement and regularly adjust according to monitoring and impact evaluations, a new mortgage-linked subsidy program that covers new and existing affordable housing	<ul style="list-style-type: none"> ▪ Adoption by GSF's Board and endorsement by the Minister of Investment of the Business Plan and Operational Manual for the Affordable Mortgage Finance Program 	<ul style="list-style-type: none"> ▪ Amendment of GSF procedures pertaining to the inclusion of existing and unfinished units in the mortgage finance subsidy program 	<ul style="list-style-type: none"> ▪ Taking into account the results of the first impact evaluation (<i>in the amendment of the mortgage subsidy program</i>) 	<p>A new and permanent mortgage linked subsidy program for middle-income households</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Disbursement of subsidized loans per year (minimum) ▪ Number and variety of financial institutions participating in program ▪ Number and variety of private developers
Scale-up ex-GSF subsidy section as the institution in charge of the subsidy program	<ul style="list-style-type: none"> ▪ Issuance of joint Ministerial Memo by Minister of Investment and Minister of Housing, Utilities and Urban Development indicating that GSF is the implementing entity for the Affordable Mortgage Subsidy Program 	<ul style="list-style-type: none"> ▪ Establishment by Ministry of Investment of on- and off-site monitoring and evaluation systems (<i>under GSF subsidy unit</i>) ▪ Completion of a monitoring and targeting study, including recommendations for program and process adjustment 	<ul style="list-style-type: none"> ▪ Creation of a network for transfer of documents amongst all stakeholders 	<p>Fully operational subsidy unit in GSF with timely processing of subsidy applications</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Average turnaround time to process a mortgage subsidy application ▪ Submission of quarterly reports on process and program indicators
III. Improving the Institutional Framework to Enhance Transparency and Targeting of Housing Subsidies				
Reduce supply-side constraints for subsidized housing	<ul style="list-style-type: none"> ▪ Implementation of fast-tracking property registration for all mortgaged properties under the Affordable Mortgage Finance Program ▪ Introduction of measures to withdraw previously allocated but unutilized land for affordable housing 	<ul style="list-style-type: none"> ▪ Implementation of Executive Regulation linked to Building Law 119 of 2008 on density standards for new developments 	<ul style="list-style-type: none"> ▪ Assessment of land allocation methods for the purpose of reforming public land allocation mechanism 	<p>An improved environment for land supply, housing development and property registration to strengthen the implementation of the demand-based subsidy program</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Time to register a real estate title

MAIN OBJECTIVES	FIRST TRANCHE PRIOR POLICY ACTIONS FOR BOARD APPROVAL ON JUNE 2009	SECOND TRANCHE* JUNE 2011	THIRD TRANCHE* JUNE 2013	LONG-RUN INDICATIVE POLICY MEASURES AND MONITORING INDICATORS
<p>Improve legal and regulatory framework to ensure adequate targeting for affordable housing</p>	<ul style="list-style-type: none"> ▪ Submission to Cabinet of Ministries of draft amendment to 148 of 2001, adjusting debt payment-to-income ratio from 25 percent to 33 percent ▪ Issuance of Prime Ministerial Decree 1864 adjusting the maximum income level for subsidy beneficiaries to LE 2,500 monthly income ▪ Establishment of a tracking system to eliminate double allocations to households between the proposed mortgage finance subsidy scheme and any other scheme. 	<ul style="list-style-type: none"> ▪ Issuance of a Prime Ministerial Decree adjusting the maximum income level for subsidy beneficiaries if necessary 	<ul style="list-style-type: none"> ▪ Issuance of new Prime Ministerial Decree adjusting the maximum income level for subsidy beneficiaries if necessary 	<p>Transparent targeting of mortgage linked subsidies</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Reliable and periodic household income indicator to ensure adequate targeting.
<p>Strengthen housing sector knowledge base</p>	<ul style="list-style-type: none"> ▪ Completion of analysis of the housing demand studies of main urban areas and placing the data in the public domain ▪ Enactment of Article 6 of Building Law 119 of 2008, creating an entity with the mandate of collecting housing market information 	<ul style="list-style-type: none"> ▪ Compilation of housing market information (<i>such as prices of land and housing</i>) 	<ul style="list-style-type: none"> ▪ Expansion of the housing market information data base by inclusion of a house price list by sector in main urban areas 	<p>An entity providing quality and timely information and data on the housing and mortgage market</p> <p>Indicators:</p> <ul style="list-style-type: none"> ▪ Improved housing sector information leading to house-price index for selected urban areas

**Annex 6. Egypt Affordable Mortgage Finance Program DPL
Monitoring Indicators**

Monitoring Indicators	Baseline (June 2009)	2010		2011		2012		2013		2014		2015		
		Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	End Target (March 2015)	
Timely and accurate time-series data points to revise the main parameters of the mortgage subsidies program	N.A	Collecting timely and accurate time-series		Revising the main parameters of the mortgage subsidies program		Revising the main parameters of the mortgage subsidies program		Revising the main parameters of the mortgage subsidies program		Revising the main parameters of the mortgage subsidies program		Revising the main parameters of the mortgage subsidies program		
Disbursement of subsidized loans per year (<i>minimum</i>) (<i>number of subsidized loans per year</i>)	4,000	5,132	10,000	7,600	20,000	8,430	30,000	12,430	65,000	12,430	65,000	24,538*	65,000	
Number of GSF staff dedicated to the mortgage subsidy program (<i>staff</i>)	12	17	30	70	60	70	80	75	90	75	90	140	90	
Number of subsidies-to-number of GSF staff dedicated to the mortgage subsidy program	N.A	302	330	109	330	120	375	166	720	166	720	320	720	
Number and variety of financial institutions participating	Banks	1	4	2	4	3	4	4	4	5	4	5	14	5
	MFCs	2	3	3	4	4	4	6	5	6	5	6	4	6

ing in program (number of banks and MFCs)														
Average turnaround time to process a mortgage subsidy application	6 weeks	5 weeks	5 weeks	3 weeks	4 weeks	3 weeks	4 weeks	3 weeks	3 weeks	3 weeks	3 weeks	3weeks	3 weeks	3 weeks
Submission of quarterly reports on process and program indicators	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report	Quarterly Report
Time to register a real estate title	3 months	2 months	2 months	2 months	2 months	2 months	1 month	2 months	1 month	2 month	1 month	1 months	1 month	
Improved housing sector information leading to house-price index for selected urban areas	Limited housing market information	Better housing market information	House-price index 2 urban areas											