

TITLE OF THE EXPERIENCE: “The Micro-credit Project: Improving the social and economical conditions of women heads of households and their families”

LOCATION OF THE EXPERIENCE (*country/region/municipality/community*)
Governorate of Sohag, Egypt

Second Section: Information on the Microfinance Experience

1. Microfinance experience summary

From March 2004 until today, the Movement for Empowerment Interchange and Solidarity (MAIS), Italian NGO, has been implementing a micro-credit (MC) programme in eight Community Development Associations (CDA) in Sohag Governorate, Egypt. MAIS works in partnership with the local NGO “Woman Association for Health Improvement” (WAHI) and in collaboration with the local CDAs in the targeted villages. The Sohag Governorate is located in Upper Egypt and it is one of the poorest Governorates in the country. The MC programme focuses on social-economical support to poor women heads of households, who are the most vulnerable members of the community. Gender discrimination widely occurs in life basic aspects, like education, work and health, and poor women are the most affected and in need of special support. The MC programme provides beneficiaries with access to small loans, improving their potential to engage in economic activities and increase their and their families’ living standard.

2. Products/services offered

Needs of the population

In Egypt, the population living below the poverty line has been estimated to range from 12.2% to 22.9% using a lower benchmark, and from 23.2% to 48%, using an upper reference. In the rural areas the poverty rate, with about a 58%, is higher than in the urban areas. The Sohag Governorate, situated in Upper Egypt, is mainly a rural area, with high poverty levels particularly in isolated villages. The programme addresses the districts that face greater difficulties from the point of view of social and economic development, and where the least number of development programmes exist. In this area, gender disparity is common and in some situations unconditionally accepted by the population. The percentage of illiterate females (65%) is higher than

the male one, access to primary, secondary and high school is extremely unbalanced in favor of the males. Furthermore, while the female labor force has risen up to the 15% of the total labor force, they still work in the informal and unregulated sector. The men's occupation structure is more evenly distributed than women's, who have access to a limited number of occupations at all levels. Due to the high level of poverty, and to social habits traditionally rooted in rural communities like Sohag, poor women (widows, divorced or married), need a special support, in order to be able to sustain their families. Being poor and living in rural areas, the targeted women lack easy access to basic resources. In fact, target group's demands are basic, like food provision, school fees for children, clothes, purchasing furniture for the house, and house rehabilitations. Due to the high level of unemployment and to mobility restrictions in rural areas, the chance to get loans, and of being supported by other social services (like literacy classes or health consultancies), improve enormously the living conditions of women and their children. Being involved at both levels, financial and social, women have the chance to actively take part in development processes of their community, and empower themselves in the economical, social and personal sphere. The Micro-credit programme carried out by MAIS in Sohag, started in March 2004 in two CDAs and after six months it expanded to six CDAs: Es-Sawama'a, Bani Zaar, Siflaq, El-Khiyyam, Sohag and Hawawish. Today the communities targeted by the micro-credit scheme are eight, after the villages of Ghena and Edfa were included in the programme, and the number of beneficiaries increased. Currently, the total number of beneficiaries reached 1.314 clients. (see graphic 1) It started as a component of a broader project, which is mainly concentrated on women's empowerment, children care and awareness campaigns in the rural areas surrounding Sohag.

Products and services

The MC programme disburses small loans (of different amounts) to finance the following economic activities: Animal husbandry, Commercial, Handicrafts. Beneficiaries are mostly involved in animal husbandry (82%), followed by commercial activities (15%) and handicrafts (3%).

Conditions and criteria to obtain a loan

The conditions to obtain a loan are the followings: Being head of a household, Age: from 23 to 55, Willing to start a project and having a clear plan, Having a guarantor, Having an official document (ID). Loans are disbursed only after investigation in the applicant's village about her reliability and trustworthiness, and after the analysis of her project proposal by the Board of the program. The women then have to sign notes payable correlated to each payment amount plus the interest, according to the agreed repayment schedule. Also the guarantor has to co-sign the loan contract.

Loan disbursement procedures

Loan Disbursement cycles is divided in different steps, as follows. The Credit Officer in each community develops a plan to market loans in the area, and afterwards all the Credit Officers organize a group meeting of women beneficiaries, at the end of which loan applications are distributed and filled by interested women. During this phase, each Credit Officer reviews the loan applications submitted, in terms of compliance with the credit conditions,

subsequently they will visit eligible applicants to verify the information given in the loan application, to identify the nature of the proposed activity and make sure about the client's expertise. During the visit, the Credit Officer examines the availability of the location chosen for the enterprise and the client's reputation. After collecting all the application documents, it will be reviewed by the loan committee. Loan committee's approval is the final phase of the review process, before disbursing the credit. Once repayment begins, the Credit officer schedules their visits to coincide with repayment dates, so that they collect instalments according to schedule, and at the same time, monitors the advancement of the enterprises. Periodically, the Field Supervisor organizes field visits in order to identify problems encountering the borrowers, to provide advice and to identify any problem or hindrance that might affect the success of the enterprise.

Disbursements amounts: First loan: 500 EGP, Second loan: 1000 EGP, Third loan: 1500 EGP, Fourth loan: 2000 EGP, Fifth loan: 3000 EGP

Governance and decision making

The managing committee is composed by MAIS, WAHI and the undersecretary of the Egyptian Ministry of Social Solidarity (MOSS). The committee reviews the work of the managers and approves the disbursements, it solves problems, it advises on strategies to expand or redirect credits. The *Project Manager* supervises the whole team and specifically signs the contracts and approves the minute of the committee. The *Financial Manager* manages the bank accounts and receives all the money collected from the credit officers and checks from the accountant. She supervises all the documentation of the project.

The *Administrative Accountant* is responsible of: Receiving the application forms and reviewing them, Preparing the disbursement minute, Preparing the repayment schedule, Receiving the monthly instalments, Preparing the financial monthly report, Filling the bank documents, Preparing the documentation needed for the disbursement, Filling the clients' documents, Up-dating the project register for the disbursement process

The *Credit Officer* (one for each CDA) is responsible of: Filling the application form, Collecting monthly instalments, Writing reports for each clients, Supporting the beneficiaries in finalizing the procedures of insurance process for all husbandry projects.

The *Facilitators* are responsible of: Checking the application forms, Home visits to check the applicants, Field visits to monitor the enterprise created by the applicants, Monitoring the insurance process for the husbandry projects, Problem solving with the Credit Officer, Attending the disbursement, Organizing with the Credit Officer the appointment of loan disbursement

At the decision making level there is a positive component of decentralization: Credit Officers can decide whether to disburse a loan to an applicant, given that they are those who know better than anyone their situation and can evaluate their projects. The operating staff is composed by:

Credit officers: members of the CDAs that are involved part-time in the Micro-credit program.

Facilitators: the program counts 16 women who come from the villages where MC is implemented. They visit the clients before the loan and follow up the credit, especially in case of delinquency.

Volunteers: members of the CDAs.

Budgeting Process

The programme relied on a grant donated by the Italian Ministry of Foreign Affairs as first source of funding.

Auditing

The Country Representative of MAIS is currently responsible for the internal auditing of the program.

Procedures

The credit policies and procedures for the microcredit program are standardized in a manual. The manual, written in December 2003, states: loan conditions (interest rate, loan size, duration and repayment methodology, security), loan disbursement procedures, loan tracking procedures, delinquency procedures, loan management, incentive system for the field staff

Management Information System and Equipment

Infrastructure. The NGO uses Excel sheets to manage the information that were previously collected by hand.

Accounting. There is a strong need for an accountancy software in order to manage properly all the financial information related. Training on these issues is fundamental also.

Security. No use of specific passwords, regular backups of all data or be stored in a fireproof safe, valuable documents are locked. Regular backups of data is done by the project accountant and checked well plus the preservation of hard copies from all the project data.

MIS plan and future improvements. There is a need to change completely the system of data entry and elaboration. A future plan might include finding a good open source loan tracking system software, training the staff that will deal with it and installing it. The software might also be installed at every CDA and data could flow in one database at real time, allowing to have a complete picture of the whole program at any time.

Information quality and dissemination

Reports are available monthly. Market information are collected, but most of the loans are disbursed for very small husbandry activities and probably so far they were not considered a priority. They might be important in case of an expansion of the services (for example, providing technical assistance to beneficiaries to diversify their activities). Technical assistant is provided to beneficiaries through awareness seminars conducted by professors from the Faculty of Agriculture in Sohag University. They provide women and men with information on modern methodologies of raising and fertilizing cattle. Moreover, they give them information on procedures of protections from common diseases and the proper way to provide first aid to their animals. MAIS organized more than 30 awareness seminars in the targeted area to raise people's awareness on such subjects.

3. Innovation

Innovative aspects of the micro-credit scheme emerge from the beneficiaries' opinion about the programme's flexibility, in particular for what regards the repayment schedule and the guarantor's conditions. To a large extent, flexibility is also a source of success for the programme. In fact, many women in the village feel that the programme requirements are not too rigid, and they

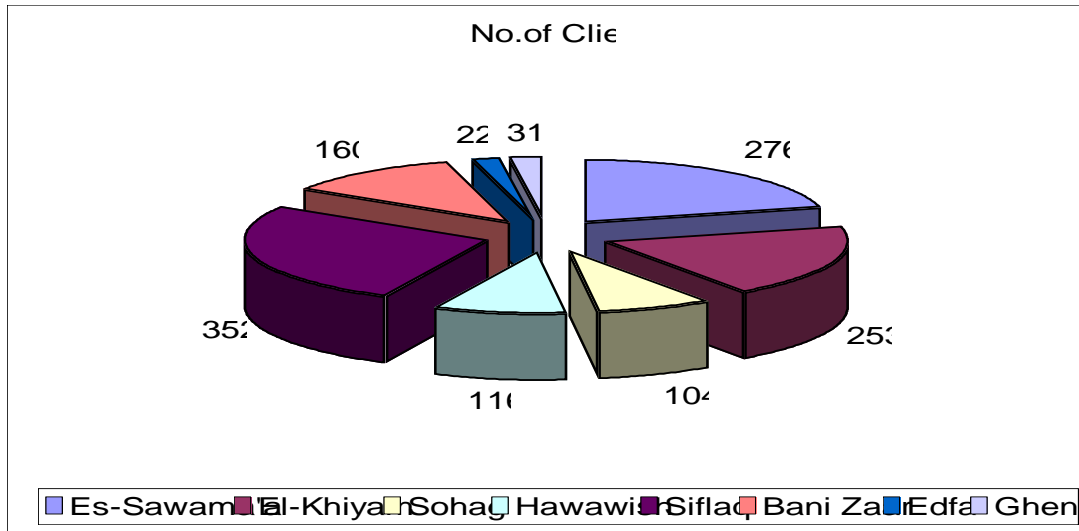
feel encouraged to apply hoping thus to solve concretely their pressing needs. As a matter of fact, women in the village of Siflaq complained about the strict and unsuitable conditions applied in two different micro-credit programmes carried out in their villages: women have no choice in the repayment schedule and they have to accept the weekly repayment, which, in their opinion, is too frequent. Furthermore, they face many limitations in the choice of the guarantor who, in those other programmes, has to be an employee in the public sector or has to own a significant land property. As mentioned above, the MC programme conditions regarding the guarantor implies that he should be a relative, friend or neighbour of the loan applicant. This condition eases significantly the procedures and make feel the applicant secure, engaging with family or friends, rather than with unknown people. Regarding the different types of repayment schedule, the broad choice in paying back the loans, time-wise, permitted the women to not hesitate in applying for credits, as they felt sure they will be able to pay back on time. Both aspects, guarantor conditions and wider time-wise choice of repayment, are innovative elements and they are completely supported by the presence of field monitors, who carry out home-visits in the targeted villages, in order to monitor regularly the activities and provide advices. Plus, the beneficiaries are already known personally by the staff on the field, because they usually attend the activities organized by the NGO, such as the vocational training or awareness campaigns. Usually they get to know about the possibility of receiving a small loan during these occasions. The project offers some extra activities that are very useful for the beneficiaries and make it particularly appealing: when a loan is disbursed to buy an animal, the NGO provides training on the best way to take care of it and meanwhile conducts awareness campaigns also on human health, with a notable improvement of people's quality of life.

4. Sustainability

From the beginning of the programme, in March 2004, the number of the beneficiaries of the programme has increased, and until the present time all the loans have been paid back on time. The increased number of beneficiaries has risen the margin from the interest that is useful to cover the costs in a sustainable way. Furthermore, at the management level, only two persons of the staff are paid, the local accountant and project coordinator, while the rest of the staff works at a volunteer level in the CDAs of the targeted area. Besides, the expatriate project manager monitors periodically the programme, but she covers mainly a representative role. The administrative running costs are easily sustained. The idea that the programme runs parallel to other projects activities (at the moment is integrated in the project "Advancing Women Rights: promoting attitudes against gender-based violence through strengthening the capacities of the civil society organizations", funded by the European Union) is a valid element for the sustainability of this programme. This last project helped to increase the number of loan applicants, through visibility activities, meetings, seminars in the villages, exchanging information between women and field facilitators.

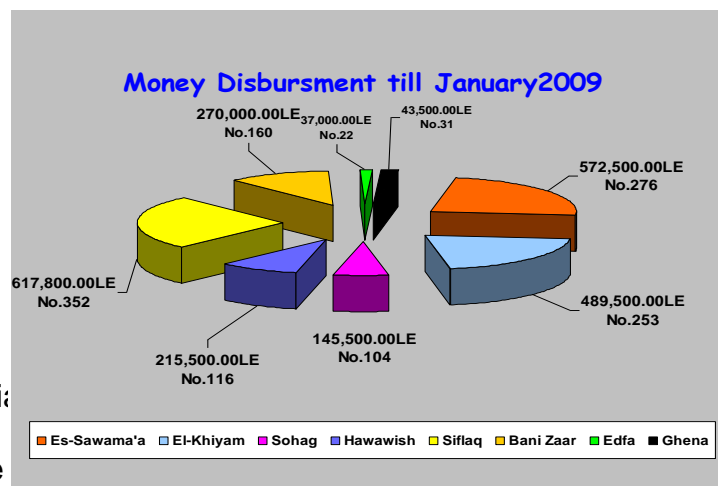
Annexes

Graphic 1



The MC programme until now has involved **1.314 women**, in **8 targeted villages**, and it has disbursed **2.360.800,00 EGP**.

The chart bellows shows for each village the number of women beneficiaries, and the amount disbursed until today (the currency is in Egyptian Pounds, EGP).



(LE=Lire Egiz)

Regarding the following:

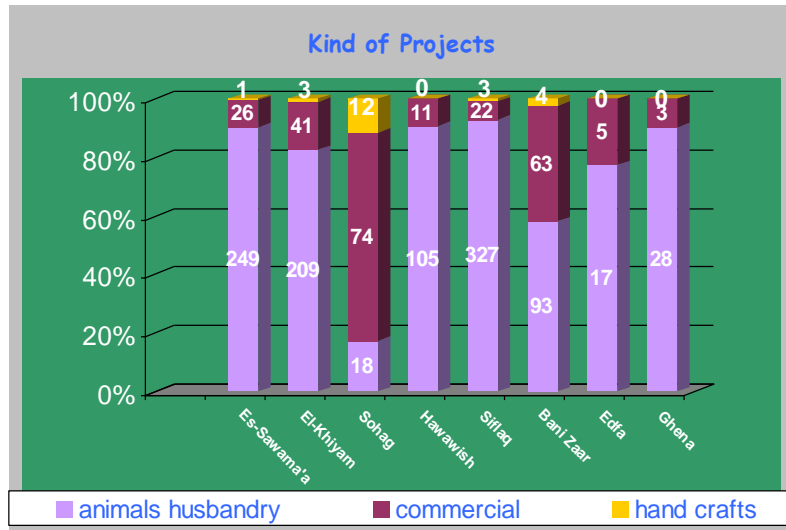
Total number of women for project

Animal husbandry: 1.046

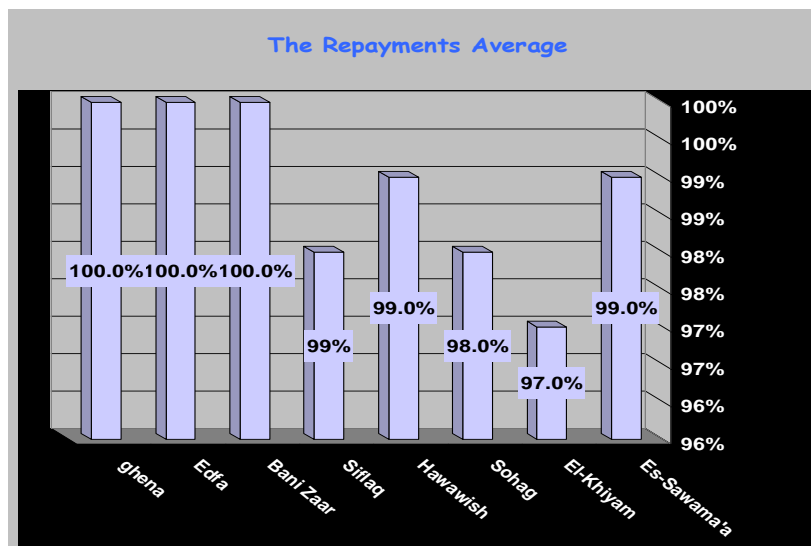
Commercial: 245

Handicraft: 23

The chart below shows the projects for each village:



The table below shows the repayments percentage average



The loan term is determined by the beneficiary's need. The table below provides a general overview of the different kinds of loan granted to the beneficiaries.

Loans Type	Amount	Duration	Total Repayment	Monthly %	Monthly Repayment	Total interest
1	EGP 500	10 months	550	1.00%	55	EGP 50
2	EGP	12	1120	1.00%	94	EGP 120

Loans Type	Amount	Duration	Total Repayment	Monthly %	Monthly Repayment	Total interest
	1,000	months				
3	EGP 1,500	"	1680	1.00%	140	EGP 180
4	EGP 2,000	"	2240	1.00%	187	EGP 240
5	EGP 3,000	15 months	3450	1.00%	230	EGP 450

Kinds of repayment

The clients are allowed to ask for a rest period of a maximum three months before starting the repayment.

In addition to the kind of repayment illustrated in the table above, the MC program foresees four more kinds of repayment for its creditors according to their possibilities. The first one is organized as follows: the creditor can ask to repay in 15 months.

The second one is also for 15 months, but the creditor starts to repay after the first three months.

The third one foresees a repayment every three months.

Under the fourth one the creditor starts to repay after the first three months.

Portfolio management

Lending methodology: individual lending to women

Interest rates: 12% p.y., no commissions (1 % per month, according to the type of project and the payment schedule fixed by the credit officers with the beneficiaries themselves).

Minimum amount of the loan: EGP 500

Maximum amount of the loan: EGP 3000

Grace period: 3-6 months

Repayment period: 9 months-1 year

Kind of guarantee: guarantor

Procedures

The credit policies and procedures are systematized in a manual, specifying:

Loan conditions (interest rate, loan size, duration and repayment methodology, security);

Loan disbursement procedures;

Loan tracking procedures;
Delinquency procedures;
Loan management;
Incentives system for the field staff;
The manual has a translation in Arabic language.

Risk identification

The programme staff recognizes elements of risk the following: loss of money, loss of data, and competition.

They do not believe in credit scoring systems because of their strong commitment in working in the field of development. They state that there is trust and confidence in the people towards the employees of the CDAs and the Credit Officers of the program, and with a small effort they can realize immediately if the project proposed is feasible or not and the credit subject to recovery.

Credit risk coverage-delinquency procedures

All the repayments are monitored by the Credit Officers. In case a client doesn't repay back once or twice, the Field Supervisor and the Administrative Accountant will visit the client with the Credit Officer to understand the situation and to find possible solutions. At the same time, the Field Supervisor with the Facilitator will start monitoring the client to reschedule the repayment according to her situation. The client is requested to pay back, in any case and circumstances, the 1% interest on the monthly installment. As for the repayments, they are rescheduled but they are never cancelled. Even in case of disaster the credit is only frozen, hoping that the woman can recover from her situation and be able to cancel the debt in an sound way.

Financing strategy

From a single bank account from which the first loans were disbursed, now the program relies on two bank accounts, one for the principal and one for the interest.

Impact on the beneficiaries

The impact assessment underlines that numerous factors influence the loan use, such as the initial resource base of the client, the number of the family members and their ages, the health of the household members, the type of business chosen, the woman power in the decision making, the amount of the loan, and the period of time participating in the program. All these aspects, in some way or another, can affect impact, creating different results.

Economic impact

After fully paying the loan and paying all the business expenses, all women achieve a surplus.

The profit is usually spent for family needs: food consumption, school fees for children, clothes for the family members, tools and furniture for the house, external and internal house rehabilitations.

Women do not gain a high profit from their projects, but certainly they improve their and their families' living conditions, having access to more resources

than they used to have. It is a chance to enhance themselves through an honest tool, which makes them feel respected in the society.

Concerning food consumption, for example, in many families the quantity of expensive and nutritious food increased: meat is consumed not only once a week or once every two, as it used to happen before the loan, but twice a week, usually on Saturday and Thursday.

Sometimes, women reinvest part of the profit in another project: for instance, they buy another animal in order to start a new project.

Even though savings, in general, are very low, because the family tendency to consume is high at their subsistence level of living.

Many women are able to collect small amounts of money to take part in associations. Associations are a safe and productive type of investment: a group of women join together and each of them pays a fix amount of money every month, at the same time every month each woman gets the shares of all the other women. Every month a woman gains a big amount of money to face more consistent expenses, such as the daughter's wedding.

Social impact

In general, after the loan, it has been noticed that, in some extent, the woman's role in decision making has changed: now she has something to say at home, she brings income like her husband. Therefore, she decides by herself how to spend the money without asking any permission to her husband. The big change is related to the possibility of the woman to contribute to the family expenses and necessities, satisfying concretely her children's needs. From a financial perspective, now the woman does not feel completely dependent on her husband, she feels that she can depend on herself and on her own capacities to manage resources that in the past were only a peculiarity of her husband. In other words, a woman's access to her own source of income reduces her husband's control over her and her financial dependence on him.

There are cases in which women enjoyed almost full control over their projects: they have been able to use the money for their own purposes and to have full support from their husbands. However, these cases, in which husbands do not impose any restrictions of any kind on their wives, are quite a few.

For example, Hamda is a woman who, through the loan, has slightly increased her self-confidence and her strength. In fact, the financial independence has increased her mobility, her decision making power in the family, and her level of awareness in the community. One decisive feature of the 'success' of this story is the fact that the woman enjoys a high degree of autonomy from her husband who at the very least does not interfere negatively in the project.

Especially in Sohag, women said that since the loan brings in the family more income, fights for scarcity of financial resources have reduced incredibly, thus diminishing the economic stress, which affects positively the family atmosphere, since the mutual understanding between the spouses is increased. For example, a better economic situation decreases the number of women sent back by their husbands to their father's house.

Family's involvement in the project

Concerning the married women, in most cases, husbands contribute to the improvement of the family wellbeing. Most men sustain their wives physically and financially in the project. They become a kind of 'external assistant' in the management of the loan, and they fulfil all the duties outside the house, such as buying and selling things in the market. In almost all cases, men working in husbandry projects engage in selling the animal in the market at the end of the project. Furthermore, in many cases, like in Bani Zar, the husband also helps the wife in feeding the livestock, and accompanying her to collect the fodder. This cooperation in the project occurs in Sohag as well. Husbands accompany their wives to different areas of the Governorate to buy cheap clothes, and to sell it at a higher price back in Sohag. In other cases, husbands buy vegetables in the market in the early morning, in order to allow their wives to sell the food later.

Concerning widows and divorced women, the members of the family cooperate with them in the project: in many cases, the brother or the older son accompanies the woman to the market. Widows have a greater freedom in moving alone in the village. In general this partnership between the members of the family in managing the project plays without any doubt a role in the success of the project.

Most of the times, the borrowers' family support them during the repayment of the loan: husbands and brothers are responsible of the project since in many cases they are the guarantors of the loan.

Documentazione fotografica



Ana'am El Bebary Ahmad, from Siflaq, with her greengrocery project, started in March 2004, she has been the first beneficiary to receive a microcredit loan).



Sharbaat Hares Aly, from Sohag, started in 2004 an animal husbandry project, consisting in collecting animals belonging to other women from the same area, raising and then selling them.



Tafidah Mohammad Hossein, from Dar es Salaam, in 2007 received 2000 EGP to set up a small eatery for *foul* and *ta'ameya* (typical Egyptian meals made of beans and chick peas).



Nagwa Hashim Ahmad, from Siflaq, started in December 2004 a project of poultry husbandry and selling, with an initial amount of 1500 EGP.



Sharh Bekry Mahmoud, from Dar es Salaam, got the loan twice: in December 2006 and again in March 2007. With the grant obtained from MA.I.S. she could buy a beehive and start producing honey.



Samiah Aly Ahmad, from Dar es Salaam, asked the first loan in June 2006, then renewed it in March 2007 and May 2008. She sells gas and provides cars with some maintenance services (like washing and filling them with oil and gas).



Sahar Abd El Rahman Ahmad, from Siflaq, initiated a clothes shop with 2000 EGP, in September 2004.