

to sort out poverty: a chance from microcredit

*International Seminar
9th and 10th of April, 2005 - Cairo*

Proceedings



*Edited by
Chiara Segrado
Guido Benevento*

CD ROM

Proceedings and other seminar documents

**to sort out poverty:
a chance from microcredit
International Seminar
9th and 10th of April, 2005 - Cairo**

Under the auspices of
H.E. Suzanne Mubarak

and the
UN 2005 International Year of Microcredit

This book is a part of:
Poverty Alleviation and
Employment Generation Programme (PAP)

...

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Prefaces

- *H.E. Ameena El-Guindi, Minister Insurance and Social Affairs*
- *H.E. Antonio Badini, the Ambassador of Italy to Egypt*
- *Mr Antonio Loche, Italian Committee for 2005 International Year of Microcredit*
- *Plen. Min. Giuseppe Deodato, Director General of Italian Development Cooperation*

H.E. Ameena El-Guindi, the Minister of Insurance and Social Affairs

Poverty alleviation was the top issue in the document approved by the UN Copenhagen Conference in 1995. With the 2000 New York Summit the objectives for the next millennium were issued and among them poverty alleviation was set up as a priority area of concern, significant for all societies, especially in relations with equal opportunity achievements, with promoting relative justice and the so-called Human Development as a whole.

According to this strategy, different Ministries in Egypt have set up many programs to support poor people , for example, in aiding poor households, for example, with the program launched by the Nasser Social Bank, which particularly aims at supporting the poor and low-income people, also by supporting small projects and microloans promoted by the governorates. In addition to these initiatives, there is a project supported by the Government which provides the youth with low-cost housing or cooperative loans.

In short, poverty as an issue is at the centre of any Egyptian plan, either in all the social measures and in all the economic reforms. The process has been promoted within the framework of the cooperation with international agencies, and the shared efforts have had a great impact on carrying out these policies. One of the programs implemented with the support of the Ministry of Insurance and Social Affairs and of the Italian Embassy and

Italy is PAP and this has had a huge impact on local communities, especially as regards their social activities.

I would like to thank those who made this program possible with their productive and fruitful help; moreover I would give special thanks to the Governors, to the administration staff, and to all the staff in the governorates who have been engaged in the initiative.

H.E. Antonio Badini, the Ambassador of Italy in Egypt

I am very happy to share the honor with Dr Ameena El-Guindi, the Minister of Insurance and Social Affairs, to open this important seminar on microcredit, organized in the framework of the initiatives set up by the General Secretary of the United Nations to declare 2005 the International Year of Microcredit.

Today we celebrate the conclusion of the bilateral implementation of the Poverty Alleviation Program which, from now on, will be completely managed by our Egyptian friends.

PAP started in the Governorates of Giza and Minia and has immediately revealed to be successful and proved that a new process of participation and involvement of the entire community in managing microcredit resources has started. All the beneficiaries I have met during my field visits have become main promoters of this process in their community by fostering a very effective interaction between local authorities, local institutions and civil society.

We can state that this kind of interaction pattern could be established as a model and an example for the entire International community

I wish to express both my Country's and my own appreciation for the work carried out so far; moreover, since we are convinced indeed that microcredit is a very valuable tool in creating people's self-development and as a mechanism in poverty alleviation, I also confirm that Italy has the intention of maintaining its support and cooperation along this line of development.

Mr Antonio Loche, Italian Committee for 2005 International Year of Microcredit

The General Secretary of the United Nations has defined 2005 as the International Year of Microcredit, and in Italy, as a member state of the UN, we have created a National Committee, to promote microcredit in our country and in the world. Microcredit has been designed as an instrument to support development in the world, and this is the meaning of the International Year, not only to promote the economic growth. Economic growth is important, but also the support of financial and social inclusion, one of the main goals of microcredit, may help reducing the divisions between members of societies.

The social cohesion is a value for microcredit, a tool which proves to be necessary to produce

social solidity and to make societies stronger, by leading them to their full development. The Italian National Committee is represented by a member of the Government, Minister Mario Baccini, who, in this occasion, is conveying his appreciations. The Italian National Committee for Microcredit will also promote in the next months some meetings with the European National Committees for Microcredit, because, as you know, almost each country in Europe has established a National Committee for Microcredit.

I also take the occasion to thank and to deeply appreciate our Italian Ambassador, Antonio Badini, for the role he has played as a guide and his direct involvement that has enhanced the success of the Egyptian Poverty Alleviation Program.

I think all the initiatives taken are in the direction of development, not only of economic growth and in this sense the Mediterranean region needs development to promote the dignity of the individuals through the access to credit in order to open the way to social cohesion and social inclusion. This example from the Italian Poverty Alleviation Program may be applied in other areas and by other actors in the Mediterranean region and, giving its success, I am sure they will.

Plen. Min. Giuseppe Deodato, General Director of Italian Development Cooperation

I am honoured to confirm today that the Italian Cooperation is strongly committed to sustain the global effort of developing financial and banking services for millions of underserved people. We strongly believe that fostering inclusive financial sectors worldwide will improve the lives of millions of people and help achieving the Millennium Development Goals. For the Year of Microcredit, the Italian Cooperation has organized a number of conferences and workshops as well as produced valuable researches in order to understand what obstacles are presently hindering the expansion of the financial sector to lower income people and how we can help promoting financial markets to include poorer people.

We are aware that the current situation seems to be quite discomforting even in our country, and the Bank of Italy has recently published a study showing that a share of 14.5% of the people are still considered unbankable. This is why we consider the International Year of Microcredit as a most welcomed opportunity to ponder these data and to discuss and find ways to promote the benefits of the financial sectors to the lower income classes of the population worldwide.

Microcredit is very relevant to Italy as small business is at the heart of Italian economic development: today, our small entrepreneurs can count on the services of over 8.000 banks. These banks have developed a range of products to match the needs of micro and small entrepreneurs, and I would like to mention here the important contribution to the Italian economic and social development of cooperative banking, rural banking, agricultural banking and other forms of small scale business banking that are very active in Italy.

The Italian Cooperation promotes microcredit programs as a donor country. I would like to bring up here the successful example given by the PAP, a program that we have financed in Egypt. This project has showed to be a successful example of an effective implementation of a microcredit scheme. The project has witnessed a constructive collaboration between the Italian Cooperation and the Egyptian Ministry of Social Affairs and Insurance that led to amazing results: almost 35.000 microcredits have been disbursed with the involvement and empowerment of local communities and the realization of important social activities of which the population of these areas has highly benefited. All this is included in a scheme which has proved to be sustainable as it is presently working very successfully with its own resources.

PAP is an example of how the “micro economic environment”, if supported and stimulated, can lead to excellent results. Microfinance can be an effective tool in Developing Countries, not only to fight poverty but also to enhance and endorse development and we welcome all the positive examples, like PAP, that promote such results.

Table of Contents

INDEX

PREFACES	III
H.E. Ameena El-Guindi, Minister of Insurance and Social Affairs.....	iv
H.E. Antonio Badini, the Ambassador of Italy to Egypt.....	v
Mr Antonio Loche, Italian Committee for 2005 International Year of Microcredit.....	vi
Min. Plen. Giuseppe Deodato, General Director of Italian Development Cooperation.....	vii
FOREWORD	xii
INTRODUCTION	

PAP 2005: THE EVENT

THE BOOK

2005: THE INTERNATIONAL YEAR OF MICROCREDIT

MICROFINANCE IN EGYPT

ACRONYMS

SEMINAR AGENDA

OPENING SESSION

AMBASSADOR AHMED ABU EL-KHEIR, MINISTRY OF INSURANCE AND SOCIAL AFFAIRS

MR ANTONIO LOCHE, ITALIAN COMMITTEE FOR 2005 INTERNATIONAL YEAR OF MICROCREDIT

MR ANTONIO VIGILANTE, UNDP COUNTRY REPRESENTATIVE

GEN HASSAN HEMADA, THE GOVERNOR OF MINIA

DR FATHI SA'AD, THE GOVERNOR OF GIZA

DR TALAAT ABD EL MALEK, MINISTRY OF INTERNATIONAL COOPERATION

H.E. ANTONIO BADINI, THE AMBASSADOR OF ITALY TO EGYPT

H.E. AMEENA EL-GUINDI, THE MINISTER OF INSURANCE AND SOCIAL AFFAIRS

PAP EVENT

PAP MOVIE

PAP EXHIBITION

SUCCESS STORIES

AWARDS

PANELS

THE INTERNATIONAL PANEL

Mr Paolo Vitali, Giordano Dell'Amore Foundation, Italy

Mr Ahmed El Ashmawi, Executive Director, Sanabel

Prof Marcella Corsi, Fondazione Risorsa Donna, Rome,
Italy

PAP PANEL

The Italian - Egyptian Poverty Alleviation and Employment
Generation Program (PAP)

Dr Amjad Yaaqba, former Director of Italian – Egyptian
Poverty Alleviation Program

Dr Mohamed M.H. Saleh – Director of SECDA

Eng Benevento, Italian Cooperation

OPEN DISCUSSION

WORKSHOPS OUTPUTS

FIRST WORKSHOP

SECOND WORKSHOP

THIRD WORKSHOP

FOURTH WORKSHOP

CLOSING SESSION

ROUND TABLE: DEVELOPING NEW POLICIES

Dr Medhat Massud, Social Fund for Development

Mrs Ghada Wali, UNDP Cairo

OPEN DISCUSSION

CONCLUSIONS

APPENDIX

REFERENCES

ANNEX I

ANNEX II: PAP HUMAN RESOURCES

Foreword

With this volume we intend to show the results of an intense work carried out by Italian Cooperation in Egypt aimed at providing a concrete contribution in poverty alleviation through microcredit.

We would like, in particular, to stress the successful operational model that we were able to set up and test through PAP.

I express my sincere, institutional and personal, gratitude to all those who, along these years, contributed to the success of this initiative.

*Nino Merola
Italian Cooperation Attaché
Hosted by:*

Arab Republic of
Egypt
Ministry of Insurance
and Social Affairs

Italian Development Cooperation
and
Embassy of Italy in Egypt

Introduction

- *PAP 2005: the event*
- *The Book*

- *2005: The International Year of Microcredit*
- *Microfinance in Egypt*
- *Acronyms*

PAP 2005: the event

On April the 9th and the 10th, 2005, the Italian Cooperation in Cairo organized an international seminar with the title “**sorting out poverty: a chance from microcredit**”.

The seminar aimed at presenting the experience of the Italian-Egyptian Program called **PAP** (Poverty Alleviation Program) whose microcredit scheme successfully reached thousands of beneficiaries. This scheme was compared to similar international practices and, at the same time, a debate on the evolution of microfinance as a tool against poverty, especially in Egypt, was enhanced.

The event, that took place under the auspices of **H.E. Suzanne Mubarak**, saw the participation of over 250 people and of a good number of international speakers. Among them, in the opening session, Dr Loche from the “Comitato Italiano 2005 Anno del Microcredito”, Dr Antonio Vigilante, UN Country Representative, Governors of Giza and Minia, Gen. Hasan Hemada and Dr Sa'ad, Ministers Abuelnaga and El-Guindi and the **Italian Ambassador to Egypt, H.E. Antonio Badini**.

The first day session opened with a ceremony during which some of the beneficiaries were awarded for their work and with the opening of the exhibition of the beneficiaries’ products. Throughout the whole event, following the principle that beneficiaries are and have to be the main actors of their own development, the objectives, that some of them have reached through the small loans received, were highly stressed and underlined. Producers of sweets, handicrafts and tailors, all gathered together to show the results of their hard work.

On the second day PAP’s process and methodology were explained by Dr Amjad Yaaqba, former director of the Program, whose speech was followed by an international panel composed by Dr Loche, Dr Vitali (Giordano Dell’Amore Foundation, Italy), Mr El Ashmawi from Sanabel and by Professor Corsi from Università di Roma and Fondazione Risorsa Donna. This panel focused on the framework constituted by the International Year of Microcredit, on the current situation of microfinance in Arab countries and on gender programs, introducing the four workshops that were the core of the event.

The workshops focused on:

- community participation
- gender
- the Social Loan Tracking System
- the shift from microcredit to microfinance.

In each workshop the moderators tried to follow the scheme of the whole seminar, comparing PAP's experiences with similar international projects: Grameen, PlaNet Finance, MFIs belonging to the Sanabel network, and so on.

The outputs coming from the workshops and which were discussed in the plenary session at the end of the seminar, revealed some fundamental and very interesting key-points that will surely contribute to the current debate on the future of microfinance.

The Book

This book contains the proceedings of the International Seminar on Microcredit organized on April, 2005, in Cairo by the Italian Cooperation in Egypt.

The Seminar marked an important step for the Poverty Alleviation Program, a microcredit scheme which, for seven years, was jointly handled by the Italian Cooperation and the Egyptian Ministry of Insurance and Social Affairs but, most of all, by the people living in the communities of Giza and Minia, who are now autonomously carrying out the activities of the Program.

The event also marked the handing over of the Program from the jointly management to a local management and aimed at underlying the excellent results of PAP and at presenting it as a best practice scheme for all microcredit practitioners in the Region.

This book is our contribution to the present debate on microcredit and microfinance. While thanking all those who participated and worked for its realization, we hope that our contribution will be useful and interesting for everyone who is involved, or simply interested, in fighting poverty through microfinance schemes.

Microfinance is a field that combines banking with developmental social goals (CGAP) and refers to small-scale financial services (primarily small loans and usually savings) which are provided to people who are usually considered "non bankable" because they do not have enough assets to be considered interesting or even acceptable clients for the traditional banking system. They are people involved in activities like farming, fishing or herding; they are people who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; they are people who provide services or who work for wages or commissions; they are people who gain income from renting out small amounts of land, vehicles, draft animals, or mechanical equipments and tools to other individuals and groups. They belong to the local and grass root scale of developing countries or of western countries both in rural and urban areas; mainly they belong to the groups of the socially or financially excluded.

Saving services allow savers to store money for future use and to obtain returns on its investments, while credit services enable the use of anticipated income for present investments or consumption. In any case, such services are rarely accessible through the formal financial system. Credit is widely available from

informal moneylenders but generally at very high, unbearable cost for the borrowers.

It is widely believed, without any specific reason, that the cost of delivering small-scale financial services at the local level is too high for non-subsidized institutions and that the informal financial market can really satisfy the demand. NGOs and other non-banking financial institutions have led the way in developing appropriate credit methodologies for low-income borrowers. But with few exceptions, these institutions are able to operate only on a very low scale.

The availability microfinance services and the level of demands for these services vary in countries and in regions. Common to nearly all parts of the developing and developed world is however the lack of commercial microfinance institutions interested and seriously involved in this kind of initiatives.

This pattern seems to be changing now: the large-scale "microfinance revolution", the profitable provision of microfinance services for economically active poor people on the part sustainable financial institutions, is emerging in many countries all over the world.

2005: The International Year of Microcredit ¹

On December 2003 the **UN General Assembly** passed a resolution (A/Res/53/198) in support of the Action Program for the International Year of Microcredit 2005 (A/Res/58/221). The Year aims at providing an occasion to raise awareness on the importance of microcredit and microfinance in the eradication of poverty, to share good practices and further to enhance a financial sector development that supports sustainable pro-poor services in all countries.

On the significance of the resolution, the UN Secretary-General **Kofi Annan** said: "The International Year of Microcredit 2005 underscores the importance of microfinance as an integral part of our collective effort to meet the **Millennium Development Goals** (MDG). Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best meet their needs. The stark reality is that most poor people in the world still lack access to sustainable financial services, whether they are savings, credit or insurance. The great challenge for the future is to fight the constraints that exclude people from fully participating in the financial sector.

The International Year of Microcredit offers a pivotal opportunity for the international community to engage in a shared commitment to meet this challenge. Together, we can and must build inclusive financial sectors that help people improve their lives."

The resolution designates the United Nations Capital Development Fund (UNCDF) and the UN Department of Economic and Social Affairs (DESA) as focal points to coordinate the activities of the United Nations system for the preparations and the observance of the International Year of Microcredit, 2005.

Recent studies show that the number of poor people in the whole world who benefited from microcredit have more than quadrupled between 1997 and 2001. With the so rapidly growing demand for financial services, the Year of Microcredit is intended to highlight ways to expand the reaching of financial services on sustainable bases.

According to the Action Program, the United Nations have joined together with Member States, NGOs, the private sector and civil society to raise public awareness, to build sustainability in the microcredit and microfinance sectors, and have promoted innovative partnerships. Although microcredit and microfinance have already had a positive impact on household budgets and the quality of life of millions of poor people, many are still denied access to financial services that could raise their standards of living and could protect them against economic setbacks. The Action Program recognizes that a range of financial products and services can enhance the poor's ability to increase their incomes, to build assets and to mitigate their vulnerability in times of economic crisis.

The International Year of Microcredit, 2005 will encourage and support the growth of microcredit and microfinance sectors to best meet the needs of a wide range of poor people.

The impact of more inclusive financial services is not merely limited to loans, credit, savings, insurance, and other economic tools, but evidences show that it contributes to raise the health, nutrition, food supply and educational level of the recipients' families and this has made those people able to face unforeseen income fluctuations with more awareness. Microcredit and microfinance programs not only elevate personal assets, but also help strengthen the texture of local economies by investing in the productive capacities of communities, by stimulating consumers' activities and by creating new jobs.

The Action Program was based on the input coming from Member States as well as from UN technical agencies and encompasses a wide range of vantage points. It also takes into account the conclusions and the recommendations from recent UN conferences and summits related to the financial sector and development.

The Year of Microcredit has helped promote a series of activities in the field of microcredit and microfinance:

- The Blue Book Project is aiming at developing a common understanding of the constraints on building up inclusive financial sectors in different country settings and on the opportunities for action but is also aiming at building up also an analysis, a "Blue Book on Building up Inclusive Financial Sectors" that will provide information, analysis and guidance on the subject matter
- The Data Project
- The Global Microentrepreneurship Awards (GMA), that aims at celebrating the entrepreneurial spirit in the micro-business owners by highlighting their innovativeness, their business acumen, and perseverance, as well as the deep effects their enterprises have had on their families and communities. The initiative also aims at attracting further investment and recognition from

donors, governments and private business sector for the initiatives and was launched in Afghanistan, Rwanda, Mexico, Indonesia, Afghanistan, Cambodia, the Dominican Republic, Mozambique and Pakistan. The long-term goal is to replicate the Global Microentrepreneurship Awards in poor countries throughout the world.

- Shop Micro
- The year of microcredit web site
- The newsletter on Microfinance Matters
- Public Service Announcements & other
- Special Events

The Year was officially launched on November 18th 2004 by opening stock exchanges around the world. At the opening celebrations at UN Headquarters in New York and elsewhere throughout the world, experts launched the challenge of expanding the microfinance scheme by identifying the best practices and the hurdles to wider availability.

Another primary aim of the Year is to increase public awareness about the reliability of microfinance clients, especially women, in repaying loans, in managing household incomes, in building assets and enterprises and in contributing to the expansion of the economy of local communities.

In Italy, the opening was made in Milano, with the participation of ABI, CGAP, Opportunity Bank (Serbia and Montenegro), Cespi, Dexia Microcredit Fund (Belgium), ICICI Bank (India), Federcasse (Italy), Rabobank (Holland), Banco Solidario (Ecuador), K-Rep Bank (Kenya), ACBA Bank (Armenia), Finvera (Finland), First Step (Ireland), ADIE (France), Microfinanza srl and Giordano Dell'Amore Foundation (Italy).

General Assembly Resolution 58/221 encourages Member States to establish national coordinating committees or focal points to lead the preparations and implementation of national activities related to the Year.

An **Italian National Committee for the 2005 Year of Microcredit (INCYM)** was launched on the 29th of October 2004, and has since been holding regular sessions. This body was generated by the Italian Directorate General for Development Cooperation within the **Ministry of Foreign Affairs** and is composed of academics and researchers as well as professionals from the public and the private sectors alike (ministries, banks, micro-credit institutes and foundations, NGOs). The INCYM will promote a new role for donor countries to facilitate rather than directly supply financial services.

The INCYM agenda for the upcoming months includes a number of national and international events such as a conference that will gather all national committees for the 2005 Year of Micro-credit from the EU Member States, and an Euro-Mediterranean conference to be held in Rome in October 2005.

The Italian Directorate General for Development Cooperation has already

pledged €1.5 Million for the activities of the INCYM and more resources are going to be disbursed to the International Fund for Agricultural Development (IFAD) for funding projects related to microcredit.

The Committee is divided into specific working groups:

- **Promotion of microcredit**, a group that will analyze microcredit experiences and elaborate an "Italian way for microfinance", with the main objective of meeting the Millennium Goals.
- **Microcredit and the Private sector**, a group that will organize events and initiatives such as conferences, workshops, seminars and meetings to promote microfinance.

The whole idea includes the creation of fruitful partnerships with NGOs, Ministries, the private sector, international organizations, in order to strengthen and enhance the choice of microfinance as a development tool.

Further information are available on the Committee web site www.annodelmicrocredito.org, which includes researches and documents produced during the International Year in Italy.

Microfinance in Egypt

Microfinance has started in Egypt since the early 1970s. There, it has counted almost 66% of the Middle East region's active microfinance borrowers and has accounted for 57% of the outstanding loan portfolio. These kinds of services are generally provided for two main overlapping goals: poverty alleviation and small enterprise support which are greatly sustained by governments and donors, first of all by USAID, and then by the Swiss Fund and UNDP.

Most of the microfinance institutions operating in Egypt belong to the Sanabel network which includes: microfinance institutions, people, resources and ideas connected across the Arab countries. Sanabel's mission is to maximize outreach of microentrepreneurs in the Arab world by providing microfinance institutions with a forum for mutual learning and exchange, with capacity building services, and with advocacy for best practice in microfinance sector.

Its objectives are:

Enhance the capacity of microfinance service providers by giving support in areas such as training and the translation into Arabic and the distribution of microfinance literature.

Promote and facilitate the exchange of information on the subject matter by means of an annual conference, the Sanabel website and newsletter, the Arab Microfinance Gateway and work for the development of best practice in microfinance sector in countries where it is not well spread.

Improve transparency and standards of practice by encouraging participation in the Microfinance Information eXchange (MIX) and by utilizing external audits, standard reporting, and rating services.

Promote public awareness and regular education to facilitate the spreading of best practice in microfinance sector.

The round table on **Building a new National Strategy for Microfi-nance in Egypt** constitutes a project coordinated by the United Nations Capital Development Fund, Special Unit for Microfinance (UNCDF/SUM) and aims at creating a consensus around the reforms that will help integrate microfinance into the formal financial sector so to ensure the poor's sustainable access to finance. To reach this goal, the project is arranging panel discussions of important stakeholders to analyze problems and suggest possible solutions for the sector. Each panel discussion is guided by a written paper where the subject area under discussion is analyzed.

The supply of microfinance in Egypt is generally limited to several traditional categories of micro lending. Potential markets for savings, insurance, and alternative credit products such as leasing and agricultural lending remain largely unreachable.

The Round Tables usually take place at the Egyptian Banking Institute (EBI) in Nasr City, Cairo, and tend to discuss problems and new perspectives for the development of a sound microfinance enterprise in Egypt.

With the technical support of EQI and UNDP, seven round tables have already taken place:

Roundtable 1: HOW TO BEST UTILIZE BANKS IN MICROFINANCE

Roundtable 2: THE NEW SMALL ENTERPRISE DEVELOPMENT LAW

Roundtable 3: COLLATERALS, GUARANTEE AND REOURSE

Roundtable 4: NON-PRUDENTIAL REGULATION AND PERFORMANCE STANDARDS

Roundtable 5: THE POTENTIAL FOR NEW PRODUCTS AND SERVICES OF MICROFINANCE IN EGYPT

Roundtable 6: GUIDELINES FOR DONOR SUPPORT TO MICROFINANCE IN EGYPT

Roundtable 7: STRATEGIES FOR EFFECTIVE CAPACITY BUILDING in THE MICROFINANCE SECTOR

So far, the discussion has led to the identification of the factors that constrain the rapid growth of the MF enterprise in Egypt, such as:

1. no uniform legal definition of **microenterprise**, which constitutes a prerequisite for developing effective policies
2. no uniform set of regulations that apply to MF financial providers
3. the borrowers' difficulties in meeting the required collateral to guarantee loan repayment (one important point: most real estate assets are not registered, due to relatively high costs and to the complexity of procedures, and therefore these are actually ruled out as collateral).
4. non bank credit institutions are not allowed in Egypt (except leasing companies)², even though they have the potential to serve many MF clients at competitive costs while commercial banks suffer from weak institutional capacities because of their lack of interest in handling small MF transactions and of inadequate expertise in effectively pursuing MF business
5. Banks and, most of all, NGOs, rely almost entirely on donor funds. There is also a problem of lack of coordination between the huge amount of activities carried out by different donors in the field of small and micro

- enterprise development
- 6. The role of the Social Fund for Development
- 7. Lack of a database to map out the MF operations of the key players, their focus area and their geographic coverage

Even if only 5% of the total finance demand of small and micro business is met, Egypt is the leading country in the Arab states in the field of microfinance (220.000 clients for the year 2002)³.

2. The minimum capital requirement for banks, which is estimated as 100 million EGP, exceeds by far the financial requirement for a commercially viable MF oriented financial institution.

3. Bransdma J., Burjorjee D. "Microfinance in the Arab States. Building Inclusive Financial Services" UNCDF, 2004

Acronyms

ABI: Associazione Bancaria Italiana

CDAs: Community Development Associations

CGAP: The Consultative Group of Member Donors

CGC: Credit Guarantee Company

EGP, LE: Egyptian Pound, local currency

EQI: Environmental Quality International

GMA: Global Microentrepreneurship Awards

INCYM: Italian National Committee for the 2005 International Year of Microcredit

MDG: Millennium Development Goals

MFI: Microfinance institution

MISA: Ministry of Insurance and Social Affairs

NGO: Non Governmental Organization

PAP: Poverty Alleviation Program

SECDA: Small Enterprises & Community Development Association

SEDO: Small Enterprise Development Organization

SFD: Social Fund for Development

SME: Small and medium enterprise

UN: United Nations

UNCDF: United Nations Capital Development Fund

UNDESA: United Nations Department of Economic and Social Affairs

USAID: United States Agency for International Development

Seminar Agenda

- *First day: Saturday, April 9th*
- *Second day: April 10th*

First day: Saturday 9th of April

OPENING SESSION

Welcome from the Head of External Relations - Ministry of Insurance and Social Affairs,
Amb. Ahmed Abu El-Kheir

- *Mr Antonio Loche, Comitato Nazionale Italiano 2005 Anno Internazionale del Microcredito*
- *Mr Antonio Vigilante, UN Coordinator in Egypt*
- *H.E. the Governor of Minia, Gen Hasan Hemada*
- *H.E. the Governor of Giza, Dr Fathy Sa'ad*
- *H.E. the Minister Of International Cooperation, Mrs Fayza Abuelnaga*
- *H. E. the Italian Ambassador, Antonio Badini*
- *H.E. the Minister of Insurance and Social Affairs, Ameena El-Guindi*

PAP Event

(Facilitator/Chairperson:Mme Nagat Ali, Program Co-Director)

- PAP MOVIE

- PAP EXHIBITION OPENING
 - Products
 - Pictures Gallery
 - Toolbox
- Beneficiaries' Success Stories
- Awards

Second day: Sunday 10th of April

PAP Panel

- Overview: *Dr Amjad Yaaqba*, Former PAP Program Co-Director
- Questions & Answers

International Panel

- International Year of microcredit: overview - Mr *Paolo Vitali*, Fondazione Giordano dell'Amore
- Anno del microcredito in Italia: overview - Mr *Antonio Loche*, Comitato Nazionale Italiano
- Mr *Ahmed El Ashmawi*, SANABEL Executive Director: "Overview of microfinance in Arab countries"
- Women empowerment and microcredit - Prof *Corsi*, Fondazione Risorsa Donna
- Questions & Answers

THEMATIC WORKSHOPS

(PAP experience versus international experience)

Workshop no. 1: Community empowerment / Participation and microcredit - *Heather Henyon*, Grameen Foundation, U.S.A.; *Amjad Yaaqba*, former PAP Program Co-Director.

Workshop no. 2: Gender issue and micro-credit - *Dr Hoda Badran*, Chairperson of Alliance for Arab Women; *Omneya Helmy*, National Council for Women

Workshop no. 3: Social Loan Tracking System - *Sebastien Duquet* (PlaNet Finance, MENA Region and Middle East); *Enzo Puliatti*, IT Synergy CEO.

Workshop no. 4: From microcredit to microfinance - *Bas Auer*, Environmental Quality International - EQI

Visit of the exhibition PAP stands

Round table: developing new policies

- Workshops' outcomes
- New Policies For Poverty Alleviation in Egypt (Social Fund For Development representative)
- Build a national strategy for microfinance in Egypt: Mrs *Ghada Wali*, UNDP
- PAP sustainability: Dr *Mohamed Maher*, Director of PAP II (MISA)

Open discussion

Conclusion

- *Eng Guido Benevento* (Italian Cooperation Advisor)
- *Dr Mohamed Tawfik* (MISA)

Opening Session

- *Ambassador Ahmed Abu El-Kheir, Ministry of Insurance and Social Affairs*
- *Mr Antonio Loche, Italian Committee for 2005 International Year of Microcredit*
- *Mr Antonio Vigilante, UNDP Country Representative*
- *Gen Hassan Hemada, the Governor of Minia*
- *Dr Fathi Sa'ad, the Governor of Giza*
- *Dr Talaat Abd El Malek, Ministry of International Cooperation*
- *H.E. Antonio Badini, the Ambassador of Italy to Egypt*
- *H.E. Ameena El-Guindi, the Minister of Insurance and Social Affairs*

Ambassador Ahmed Abu El-Kheir, Ministry of Insurance and Social Affairs

H.E. Antonio Badini, Ambassador of Italy, Dr Fathi Sa'ad, the Governor of Giza, General Hasan Hemada, Governor of Minia, Mr Antonio Vigilante, United Nation's coordinator in Egypt and Mr Antonio Loche, Italian National Committee, ladies and gentlemen, it is a great honor for the Ministry of Insurance and Social Affairs to cooperate with the Italian Embassy under the supervision of his Excellency Ambassador Mr Antonio Badini to establish one of the most important projects which was subsided by Italy and which regards poverty alleviation

This project stands out among the projects the Ministry has established in order to alleviate poverty. Its success was followed by another Italian subsidy, coming from the Debt Swap Program according to the plan of expanding PAP in three Governorates: Sohag, Assyout and Qena. The results that will be presented to you today will make you understand the activities carried out by the executors of this project in order to make it successful, and to revive the idea of establishing another project for poverty alleviation, since this issue has become top priority both at the national level and at the international level.

Now the Ministry is expanding with the project in the three Governorates. In general, the Italian cooperation with Egypt and with the Ministry in particular, has had a great impact on the relations between the two countries, especially when regarding this important social project. Poverty alleviation is also at the top of the agenda of international organizations; in fact it was one of the main issues of the declaration of Copenhagen on social development.

Moreover, this issue was the pushing point for many plans, particularly for those set up in Egypt until 2007.

Mr Antonio Loche, Italian Committee for 2005 International Year of Microcredit

Ladies and gentlemen, I came from Italy to bring you the greeting and appreciations from the Italian National Committee for the Year of Microcredit. I came to express not only the greetings, but mainly the strong appreciations for the Minister of Social Affairs, Mrs Ameena El-Guindi and to express my appreciations for General Hassan Hemada, Governor of Minia and Dr Fathi Sa'ad Governor of Giza, because the performance of the project has been successful, and in Italy we really appreciate this success, and mainly this year. In fact the General Secretary of the United Nations has defined 2005 as the International Year of Microcredit, and in Italy, as a member state of the UN, we have created a National Committee, to promote Microcredit in our country and in the world.

Microcredit has been designed as an instrument to promote economic growth and to support development in the world and this is the meaning of the International Year.

Economic growth is important, but also the support of financial and social inclusion, one of the main goals of microcredit, may help reducing gaps among members of societies.

Social cohesion is a value for microcredit, which is a necessary valid tool to produce social solidarity, to make societies stronger and to lead them to their full development. The Italian National Committee is represented by a member of the Government, Minister Mario Baccini, who, on this occasion, is conveying his great appreciations for the initiatives set up. In the next months the Italian National Committee for Microcredit will also promote some meetings with the European National Committees for Microcredit. As you know, almost each country in Europe has established a National Committee for Microcredit.

I also take the occasion to thank and to deeply appreciate our Italian Ambassador, Antonio Badini, for the role he has played as a guide and for his direct involvement that has enhanced the success of the Egyptian Poverty Alleviation Program.

I think all the initiatives taken develop in the direction of development, not only of economic growth and this way the Mediterranean region needs development to promote the growth of individuals by granting access to credit which at the same time produce social cohesion and social inclusion.

The model of the Italian Poverty Alleviation Program may be adopted in other areas of concern and by other actors in the Mediterranean region and, because of its success, I am sure it will.

Mr Antonio Vigilante, UNDP Country Representative

Thank you, all of you, I am really pleased to participate in this workshop today, which celebrates the International year of Microcredit and also the achievements of the Italian Cooperation Poverty Alleviation Program (PAP), a very successful project which has achieved impressive results in reducing poverty, in creating new job opportunities for the poor and in empowering civil society over the last seven years.

Yet this is another project proving that microcredit can change the lives of the poor, and that this is a powerful poverty alleviation tool. Therefore, we at the United Nations and those who operate in the area of microcredit do consider PAP as a best practice. As a matter of fact, this project not only provides the poor with financial services and economic security, but it also helps to increase household income. At the same time, the whole process also stimulates the local economy. It is estimated that only a small percentage of the economically active poor in the world have access to and enjoy the basic financial services. With these words, I do not only mean credit but also savings, microinsurance and money transfer. To be able to reach the Millennium Development Goals, there is a consensus within the developing communities to go on bridging the gap between the supply and the demand of microfinance in a sustainable manner; this is why the UN has called for the dedication of these hopes to promote the building of inclusive financial sectors, so as to strengthen the powerful but often under-utilized initiative spirit of the poor.

Although Egypt has more than 30.000 active clients and has invested more than 60 million dollars in microloans, the percentage of market penetration does not exceed 20% of the estimated market demand, which ranges from 1.5 to 2 million people. This means there is a growing demand of microcredit usage. A new encouraging development has emerged in the microfinance sector in Egypt: the **introduction of group lending mechanisms**.

The percentage of female borrowers is attracting the donors' interest and it is increasing together with the growing interest of commercial banks to meet the poor's demands even when seen as "*non bankable*"; this means that something is actually changing in the microcredit policy and this change is practiced in Egypt. The Egyptian microfinance enterprise is still under development though also because there is lack of clarity in microcredit policies. In 2005, UNDP in Egypt together with the Central Bank of Egypt, particularly the Egyptian Bank Institute (EBI), started a microfinance initiative to develop the first "National strategy of microfinance in Egypt".

This project is aiming at defining a framework to increase the efficiency and effectiveness of concerted governmental, non-governmental and donor actions in this sector and this will be carried out by developing a shared vision which promotes the self-sustainable and commercial microfinance sector. The articulation of a "National policy and strategy and the development of an action plan" is taking place in coordination with the Social Fund for Development, which will provide a menu of priority activities for microfinance institutions in Egypt.

It is important to note that the needs of small and microenterprises are not limited to financial services, but also to equally important non-financial services. In fact, in

Egypt, like in many other countries, these kinds of initiatives normally use traditional and simple technologies, are related only to the local market, and mainly produce uneven quality goods. In the long run these initiatives may end up with limiting the development of these enterprises themselves. Therefore, the non financial services that entrepreneurial communities need - such as information service, marketing services, strong and consulting technical systems - have to be provided in an integrated fashion together with microcredit services. This is precisely also what we are trying to do in the United Nations together, for instance, with such valuable partners as the Governors of Minia and Giza, who are with us today.

So today we are here to celebrate, but also to set up a discussion forum with all the actors involved in the development process so to increase our efforts to make sure that all the poor have access to fundamental mechanisms which help them overcome their status of poverty; I mean here not only the status related with income growth but also the one related with human growth. PAP is one of the proper tools, microcredit is a proper tool, so let's continue to work together to make the maximum use of these possibilities.

Gen. Hassan Hemada, the Governor of Minia

Mrs Ameena El-Guindi, the Minister of Insurance and Social Affairs, H.E. Antonio Badini, the Ambassador of Italy, Dr Fathi Sa'ad, the Governor of Giza, Mr Antonio Loche, the Italian National Committee for the International Year of Microcredit, Mr Antonio Vigilante, United Nations Coordinator, ladies and gentlemen, I am very happy to take part in this Program.

I would like to thank the president of Italy for his cooperation with Egypt in accomplishing significant objectives by means public foundations, which are considered to be one of the most important fields on which Egypt is concentrating its efforts at the present.

In particular, we take into consideration that the role of the civil communities, through public foundations and business foundations, is aiming at supporting decentralization and highly democratic processes. As a matter of fact the civil community participate actively in facing problems and planning solutions so to be an effective participant in the process of decision taking.

This is what we believe in Minia and for this reason we have established an International Cooperation Administration, in order to facilitate the relationships between Donor countries and public foundations. We do so to try to abolish barriers, to involve the civil community, through public foundations, and to promote the active participation of learned people in the activities of the executive and public agencies. We aim also at supporting the analysis of problems and at limiting their effects. And this is to be considered a very important step in order to reach a comprehensive and sustainable development in all fields.

We have started working on this project since 2001 with 16 CDAs distributed in 5 administrative centers, and up to the end of March 2005 the project has been implemented by transferring 5,662,500 EGP. So far, the project has financed 18,044 initiatives for an estimated value of 3,321,600 EGP and a repayment rate of 100%.

These data, of course, indicate the active cooperation among the donor country, Italy, the public foundations and the Ministry of Insurance and Social Affairs.

The Italian project also set up agreements with 15 foundations to help women to have identity cards, a very strong problem in Egypt. It financed the distribution of 4,436 national card numbers. In addition, the project financed the delivering of pure water to 1267 households through soft loans and, also in this case, the repayment rate was 100%.

The project also enhanced the growth of sustainable job opportunities and gave the chance to many students to continue attending courses and schools. I think that the most positive result of these microloan projects is the active participation in improving the quality of life of entire families and especially of breadwinner women, so to reduce the girls' and the boys' dropping out of education. This result is also due to the establishment of an information center in the village where 2,300 young boys and girls work.

Social activities are fundamental for PAP and its functioning: PAP is first of all a poverty alleviation program aiming at improving the standard of living of the communities through microcredit. That is the reason why, whenever a loan is repaid, the money collected in the revolving fund is immediately re-used to finance families with difficulties: widows, bread winner women, poor people.

Thank you.

Dr Fathi Sa'ad, the Governor of Giza

Thank you. First, I am extending my greetings and appreciations to all the prominent attendants to the seminar. This is an occasion to celebrate the continuity and to mark the importance of the Egyptian - Italian cooperation.

Today we celebrate the efforts and we also celebrate the creative and productive cooperation between the two countries exerted at different levels. This project started in Giza in 1998, and at that time the Italian subsidy was about 6 million dollars, which were distributed to 12 public assemblies in 7 geographical regions in Giza. The aim of the project was not only the economical but also the social development.

Afterwards 19,625 projects have been financed in Giza for an overall amount of 4,200,412 EGP, and on this project many studies and researches, more than 3,000, have been set up together with training programs. The project has created 13,658 job opportunities and also it has also supported the achievement of qualifications required by the foundations working in the field, no matter if the qualifications required have been related to the knowledge of administrative or financial matters and to the skills in administrative or in language or computer fields and so on.

Finally I would to thank again, Mrs Ameena El-Guindi, the Minister of Insurance and

Social Affairs, H.E. Antonio Badini, the Ambassador of Italy, and all those who have given their valid contribution to the success of this project.

Dr Talaat Abd El Malek, Ministry of International Cooperation

Good evening, I am sending my appreciations and happiness to all the attendants and I would like to extend the regret of Dr Fayza for not being here to attend this important event; in addition I am very pleased to have the honor to deliver the Minister's remarks.

First of all, I look forward to receiving the summary of the seminars' discussions as I am confident that there are many lessons to be learnt from the experience gained in this initiative, as well as from the others that will be reviewed during the seminar. The UN Declaration of the year 2005 as the International Year of Microcredit has a special significance, because it constitutes an important step in highlighting the substantial potential benefits of ensuring easier access through small and microenterprises to financial services that meet their needs. As we all know, this initiative goes beyond the credit system and extends to a wide range of financial and non financial services.

As many of us know the interest in dealing with the challenge in Egypt goes back 30 years or more, however, the past 12-15 years have witnessed increased attention and more intensive activities, that are now producing tangible results: as a matter of fact, we can record that an increasing part of the informal sector accounts for a substantial share of economic activities the country.

As Mr Antonio Loche said, there is more in microcredit than helping the poor for a better living; that tool is a means of social cohesion. Moreover it is estimated that not more than the 22 % of the total demand of financial services have been met at present, and the enormous gap between supply and demand calls for intensified and coordinated efforts by all concern, including the support from development partners.

In fact, we acknowledge the contribution made by our partners, including the Italian cooperation, the UNDP, the World Bank and USAID among others. Each partner has added experience that has enriched our knowledge base so to enhance coordination among partners and thus minimize duplication; in addition to this, we aim at expanding the geographic coverage of assistance and at improving its overall effects.

On the Egyptian side, significant progress has been made in recent years to modernize legal and regulatory reform issues, to institutionalize and strengthen policy matters and measures pertaining to microfinance. However, we do realize that more work is necessary on the three fronts, including the development of a more integrated and supportive policy framework

A positive note in your seminar is the blend of experiences brought together and the review of our local experiences on the part of our contributors like the Italian

Cooperation, the Grameen Foundation, the Sanabel representatives and others.

These contributions will improve our understanding of what works, what does not work and how we can benefit from the best experiences. Two important lessons that have already been learned across many programs are: first, the need to strengthen the technical and managerial capabilities in projects and activities in this field; secondly, the need to put even more emphasis on equipping beneficiaries with the skills to manage their income generating activities. To end up, let me offer my sincere congratulations to all those involved in PAP, to our Italian partner, as well as to Her Excellency the Minister of Insurance and Social Services and the Governors of Giza and Minia for their constant support and encouragement. Their presence here today is a clear indication of their commitment to sustain the success of what has been achieved so far. Thank you.

H.E. Antonio Badini, the Ambassador of Italy to Egypt

I am very happy to be here today to open this important seminar on microcredit, sharing the honor with Dr Ameena El-Guindi, the Minister of Insurance and Social Affairs, and with all the attendants. Thanks for your very hard work; we can testify that the model that we have established could be a model and an example for the International community. I want to say to all of you that you are very clever; therefore be proud of your success, you honored your country and your friends who trusted you.

Today we celebrate the conclusion of the bilateral implementation of the Program which from now on will be completely managed by our Egyptian friends. To all of you, I wish to express both mine and my Country's appreciation. At the same time, I also confirm that Italy intends to continue on working together in the path of development, because we are convinced that microcredit is a very valuable tool for self-fulfillment and also as a very valid mechanism in poverty alleviation.

The initiative of the Secretary General of the United Nations of declaring 2005 the International Year of Microcredit, is, in my opinion, very appropriate, and I fully share what has been said by Dr Vigilante, who is the resident coordinator of the UN in Egypt, and by Dr Loche, who is the secretary of the Italian Committee for the International Year of Microcredit. I am confident that this seminar will provide us with all the necessary informative details on the "revolution" of microcredit and microfinance, and how they have been implemented by the Italian cooperation in Egypt through the Poverty Alleviation and Employment Generation Program.

On my side I would like to share with you some considerations based on what I have seen during my field visits to Minia and Giza Governorates, where I managed to notice remarkable progress in implementing the Poverty Alleviation Program.

PAP started in the Governorates of Giza and Minia, and immediately revealed to be successful and proved that a new process of participation and involvement of the entire community in managing the microcredit resources has started. All the

beneficiaries I have met are becoming actors in their community through this process which promotes a very effective interaction between local authorities, local institutions and civil society.

I am sure that the Governorates of Minia and Giza will achieve remarkable and successive goals in implementing the future programs on microcredit.

Thank you.

H.E. Ameena El-Guindi, the Minister of Insurance and Social Affairs

I am very pleased to be here today with the distinguished attendants and guests. We are here to celebrate an important issue, which is poverty alleviation, and the fruitful results achieved by PAP.

I will talk about the efforts exerted to alleviate poverty, the fight of which is considered to be a big challenge in a period, like ours, of great economic changes in all the countries in the world. The issue of the poverty alleviation was at the top of the document passed at the UN Copenhagen Conference in 1995. After that, the Summit of New York, in 2000 issued the objectives of the millennium and among them poverty alleviation was set at the top; this indicates that it is a significant matter for all societies, especially in the fields of equal opportunities, in achieving relative justice and in acquiring skills and abilities which constitute the so-called Human Development.

Under this strategic framework, many Egyptian Ministries have set up many programs to support poor people's development: for example, by helping poor households - a program adopted by Nasser Social Bank, which particularly deal with the poor and the low-income people, and also by supporting small projects and microloans in the different governorates. In addition, there is a project supported by the Government regarding youth housing which aims at providing young people with housing at low cost price, or through a cooperative loan.

In brief, the issue of poverty is first priority in the Egyptian plans, and is related to all the stages of social dimension, and is also related to all the economical reforms. According with the overall strategic framework, there is a strong and close cooperation with the International Agencies, and common efforts usually show a great impact on achieving effective policies. Among these, PAP is one of the programs supported by the Ministry of Insurance and Social Affairs, through the help of the Italian Cooperation, and this has had a huge impact on local communities especially through its related social activities.

Another advantage involved in this project is the self-sustainability of the CDAs, which operate according to a logic of independence from grants and assistance. All these show the advantages linked to the project, and I believe that these inputs on which the project depends are paving the way to continue in the future.

I would also like to take the opportunity of raising an issue which is rather relevant

for the subject and which is the participation of civil community agents like public foundations, the private sector and the government, together with the international community. Recently, in Egypt, a controversial issue has emerged and concerns the international cooperation with the local assemblies: as a matter of fact, international actors tend to support local communities and I consider this a positive attitude.

We know that public foundations are vital, because directly engaged with society; they have the power to recognize the real needs of the local community and for this reason we are supporting the strategic attitude of dealing with the local assemblies.

Besides, the role of the Ministry of the Social Affairs is not limited to the supervision of these public assemblies, but also is to that of being a supporter and an active participant in the activities of the assemblies.

Thank you all for your productive and fruitful help, and I am presenting special thanks to the Governors, to the administration staff, and to all those who are engaged in the field in all the regions.

PAP Event

- *PAP Movie*
- *PAP Exhibition*
- *Success Stories*
- *Awards*

PAP MOVIE

Movie directors:
Ms Micol Pistilli and Ms Yousra Ashraf

PAP exhibition

The Ambassador of Italy to Egypt, Antonio Badini, opens PAP exhibition together with HMinister Ameena El-Guindi and the Governor of Giza, Fathi Sa'ad

The Egyptian Minister of Insurance and Social Affairs and the Italian Ambassador in Egypt visiting the exhibition.

Many beneficiaries had the chance to show their products ranging from art crafts to candles, from candies to dresses.

A beneficiary who lives in Oumraneya, Giza, shows her products to the Minister of Insurance and Social Affairs.

She started her production of dresses with a loan and completed the whole circle of three. She had the chance to participate at some exhibitions abroad. She is now planning to open a new shop in which she can train young girls.

Success stories

Shadia Amin Abdat is a 39-year-old widow with three children. She works at home framing chicken to be sold at the village market. Before receiving the loan, she used to be a worker for few hours per day. After two years from the first loan, she established a business that grew so much to allow her to expand it in other business area. She is now also selling bread and ta'mia (typical Egyptian food).

Afaf Abd Alla Hassan is a 52-year-old widow who lives with her five children in Abu Ragwan, Giza. Before obtaining a loan from PAP she used to sell flour and she used to work eight hours per day but the income she earned was not sufficient to cover her family expenses. Thanks to the loan she has expanded her small business: her income has now almost doubled and the quality of her family's nutrition is significantly improved. Now she works about ten hours per day and in her spare time she studies to learn how to write and read and to be able to keep accountings in order to manage her business in the best way.

Mahmood runs a plant greenhouse in a rural CDA. He has received two loans, the first one of LE 2,500 and the second of LE 5,000. He started this activity before receiving the loans but with them he has succeeded in expanding it and almost doubled his monthly income. He has also created new employment as he now employs two labourers and one technician expert in agricultural plants. Before the loans he employed only one labourer. He is now willing to ask for an additional loan from the Market Oriented Component.

Gaber is a 27-year-old man, married with two children. He makes carpet plastic beaters and works about 12 hours per day. Every item costs him 35 piasters and sells for LE 2. With the two loans that he has received from PAP (LE 1,500 and LE 2,500), he has enlarged his very small business activity and bought additional material. After the loans, his business profit has increased of about 50% and the number of people who work for him has increased from two to five people. Since his income has increased now, his family expenses have almost doubled. has painted his house, he has bought a new bedroom and the whole family is now eating more meat. He is willing to ask for a larger loan from the Market Oriented

Component.

Awards

At the end of this session, some of the associations involved in the Program were awarded for their results. They are:



As the protagonists of the event and the main actors of PAP are the beneficiaries, during the seminar, at the end of the first day, some of them were awarded for the impressive results they have reached thanks to the microloan received. Some have opened new shops or laboratories, some have started new income generating activities, others have expanded their activities by means of subsequent loans and have reached extraordinary results.

In the picture, Eng Benevento, Madame Nagat Ali of PAP and Dr Mahmoud Yousef are awarding one of the beneficiaries of the Program.

Panels

- *International Panel*
 - ◊ *Mr Paolo Vitali, Giordano Dell'Amore Foundation, Italy*

- ◊ Ahmed El Ashmawi, Executive Director, Sanabel
- ◊ Prof Marcella Corsi, Fondazione Risorsa Donna, Rome, Italy
- PAP Panel
 - ◊ The Italian - Egyptian Poverty Alleviation and Employment Generation Program
 - ◊ Dr Amjad Yaaqba, former Director of PAP
 - ◊
 - ◊ Eng Benevento, Italian Cooperation
- Open discussion

The International panel

Eng Guido Benevento, Italian Cooperation

Now I will open the international panel, and in this panel we have various speakers: Mr Paolo Vitali, from **Giordano Dell'Amore Foundation**, which is particularly involved in microcredit and microfinance, Mr Antonio Loche, who is the Secretary General of the **Italian National Committee for 2005 International Year of Microcredit**, Mr Ahmed El Ashmawi of **Sanabel**, which is a network Organization dealing with Microcredit and Microfinance in the Arab region, and finally we have professor Marcella Corsi, from **Fondazione Risorsa Donna**, Italy.

Mr Paolo Vitali, Giordano Dell'Amore Foundation, Italy

Thank you. I will present you an overview of the International Year of Microcredit 2005. This initiative launched by the United Nations comes from the vision of scaling up efforts in building up entrepreneurial skills to meet the demand for microfinance.

As we heard from the UN representative in Egypt, Mr Vigilante, the percentage of the people who receive a supply of financial services from formal financial communities is still very low, and the gap with people who do not receive this supply is still great. This could mean that the portion of clients who have access to loans is growing at a 25% rate per year, and to reach our goals we need to increase the amount of access to financial services for these people, and to establish more potential means to use microfinance in a more effective way so to alleviate poverty.

By 2015, at least 50% of households and microenterprises should have access to quality financial services. And then, what are the objectives for these initiatives? We have five specific ones, which aim at achieving the Millennium Development Goals MDGs):

1. Assess and promote the contribution of microfinance and microcredit to the MDGs;
2. Increase public awareness and understanding of microfinance and microcredit as vital parts of the development equation;
3. Promote inclusive financial sectors;

4. Support sustainable access to financial services, and
5. Encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand the success of microcredit and microfinance.

Of course, for the actions to be effective, many actors have to be seriously committed. Between them:

1. **The Governments:** their legal, fiscal and regulatory systems should encourage rather than block microfinance
2. **The Donors community:** microfinance should be treated as a critical part of the financial sector not as a part of development projects.
3. **NGOs:** they should provide financial services to poor people primarily as a business concern, not a charitable act.

Because of all the activities planned during the whole Year (Blue Book Project, Data Project, Global Microentrepreneurship Awards, Shop Micro, The year of microcredit web site, Microfinance Matters (newsletter), Public Service Announcements & other special Events), what is expected to happen after 2005 is:

- Considerable follow-up at all levels after the close of the Year will help sustain the momentum achieved by the Year observance;
- The 60th General Assembly will present a general strategy to maintain the momentum created by the Year following its close;
- The Year website will continue in a format to be determined after the close of the observance;
- Many initiatives inspired by the Year will continue their effort to build sustainable and inclusive financial sectors and achieve the MDG.

Everyone can participate in the activities planned to celebrate the Year: you can set up and support your national committee, you can promote the importance of quality financial services, build commitment in your own organization, volunteer, promote and support capacity building programs such as the **Master on Microfinance**, which is sponsored by Italian Ministry of Foreign Affairs, because we do trust that training and capacity building is an essential component of microfinance.

Mr Ahmed El Ashmawi, Executive Director, Sanabel

I would like to present a survey the title of which is "Microfinance in Arab states"⁴, the third in a series of publications which document the state of microfinance in the Arab States' Region and which track the development of this young industry over time.

The survey attempts to map out the major suppliers of microfinance in the region and to highlight the challenges and opportunities available for developing mature initiatives. The first two surveys were undertaken by the Private Sector Development Group of the Middle East and North Africa Region of the World Bank. The Sanabel Microfinance Network was the key force behind the third survey, having decided

to institutionalize the regular update of MFI data as part of its core regional initiatives.

Sanabel, the Microfinance Network of the Arab Countries, is a membership-driven regional network for microfinance institutions in the Arab world. Today the network has 27 institutional members. These 27 MFIs together are estimated to serve 70% of the number of active borrowers in the region. Sanabel was founded in September 2002 by 17 representatives from seven countries (Egypt, Jordan, Lebanon, Morocco, Occupied Palestinian Territories, Tunisia, and Yemen). The founding members—14 institutions and three individuals—formulated the by-laws and membership criteria, the vision, and the mission and the objectives of the organization, and elected an Executive Committee for the network. The start-up of Sanabel and its initial operations have been supported by the Rockdale Foundation.

In the spring of 2003, Sanabel sent out a comprehensive 19-page questionnaire through its local country representatives to all the known MFIs in the Arab States asking for data on loan portfolios and key performance indicators by the end of year 2002.

4. Brandsma, Burjorjee , ibidem

The questionnaire also asked for information on governance, legal issues, management issues, and products and services. The initial feedback was disappointing because only a small minority of institutions responded to the questionnaire. This was most likely caused by the fact that the questionnaire was too long and very technical in nature. Furthermore, Sanabel was still quite young and as such not fully established as a representative network in the region. At the same time, the use of local MFI focus points operating in the same sector may have made MFIs reluctant to reply because of competitive issues.

Finally, the fact that in some countries, such as Lebanon, many MFIs did not meet the Sanabel eligibility criteria for becoming a member, heavily reduced MFI receptivity of the initiative. However, afterwards time and effort were dedicated to respondents and therefore a relatively complete and reliable 2002 year dataset was established for 51 MFIs. A mini-questionnaire covering year 2003 data (where available) was collected during the Conference on Microfinance in the Arab World in December 2003 and this helped fill up many gaps and provide further basis for analysis.

In this context for many years Egypt has been the leader of microfinance with a great number of active clients in the region. However, in the previous survey, we saw that the growth of the sector appeared to be very low at the beginning, but then it followed a remarkable sprint after 2001. At the end of year 2003, Egypt had over 250,000 active clients, of whom more than 80% were served by seven fully sustainable MFIs (out of the 20 included in the 2003 mini-survey). Over \$55 million were distributed in microloans.

Egypt has also increased women's loans: while at the end of 1999 only 25% of the

clients were women, this proportion had increased to 35% by the end of 2002 and 46% by the end of year 2003. We will see below that this can be attributed to the introduction of women group lending from the USAID-supported Foundations, which together with the Banque du Caire and the National Bank for Development dominate the market.

The remarkable growth in Egypt can be attributed to two key factors: loan product diversification with the introduction of group lending (for women especially); and the revitalization of downscaling programs through banks, notably through the Banque du Caire; both initiatives were sponsored by the major donor in the sector, USAID. The microfinance scheme in Egypt as well as in many countries in the region has been characterized by a general lack of product diversification. This has occurred up to very recently that is till when USAID began putting a renewed emphasis on its poverty lending projects, by defining the quantity of each money loan at around less than \$300.

In an effort to reach more poor people and improve its gender balance, EQI—Environmental Quality International, USAID's Technical Assistance Provider in Egypt—designed and implemented a new group-lending product for women in all seven of USAID's partner Foundations. Before this, the Foundations had focused only on individual loans from which women were not excluded, even though the majority of borrowers were men.

Prof. Marcella Corsi, Fondazione Risorsa Donna, Rome, Italy

Just very briefly I would like to explain who we are: we are a Foundation that mainly deals with gender and microcredit and is a member of the Italian National Committee for 2005 International Year of Microcredit.

Even if we are born quite recently from the Italian experience of the Women World Banking, we are already experiencing good results on women empowerment through microcredit: in Italy, for example, we work a lot with immigrants who are willing to start up new income generating activities.

Today I am going to introduce our project, **Women and Microfinance, a new path for development in Mediterranean countries**, a research that will be presented in Italy in September, which is absolutely coherent with what we are discussing today. The information about the program itself can be required to our institution and I will be glad to be contacted later to give more details on our work.

This kind of activity is focused on the growing empirical evidence about the return on loans of the female participation. There are not only a lot of good practices but also a lot of literature on this topic and when we look at it what comes out is that the impact of microfinance interventions on women might have some controversial but relevant results: that is, some studies have confirmed that the economic and social empowerment that microfinance programs have on female participants might be very effective as far as I could see from the work which has

been done so far within PAP. Some remarkable results have come out from the experience carried out in Egypt. And I am really glad to say that, with this opportunity we have actually established contacts and collaboration with the staff of PAP and the Italian Cooperation in Egypt, and we intend to go on in this direction.

Other studies, on the other hand, also affirm that the relation between women's access to loans and women's empowerment is not that strong: this is why we are collecting information, through a questionnaire, on how microcredit programs affected women's lives in the Mediterranean area. For this reason we have contacted Sanabel, a network of MFIs that will support us in broadening our own network, and tried to put into contact MFIs from Middle East with those which operate in Kosovo, Montenegro, Bosnia and Croatia.

Finally, last but not least, we are presently concentrating on the microcredit experiences in our countries, in Italy, first of all, because we are, as I said, an Italian microcredit institution.

PAP Panel

The Italian - Egyptian Poverty Alleviation and Employment Generation Program (PAP)

By Ms Lourdes Habash and Dr Carlo Volpi

The Egyptian-Italian relationship is deeply rooted. Poverty Alleviation and Employment Generation Program (PAP) comes as an evidence of this special friendly relation that unites the two countries. It is the outcome of a grant given by the Italian government to the Egyptian one, which came into action after both the Italian Ministry of Foreign Affairs and the Egyptian Ministry of Insurance and Social Affairs (MISA) had signed the protocol on September the 9th 1997.

At the outset, PAP was implemented in the Giza Governorate with an overall duration of three years. Due to the success achieved and in order to spread the services among other Egyptian communities, the Program was expanded by including Minia Governorate on January the 13th 2001, while the joint management was extended to both governorates to last till March the 31st 2005.

PAP's main tool is a microcredit scheme that is used to support new or existing income generating activities, not only financially but also by providing technical assistance in order to effectively carry out the projects presented by the beneficiaries.

In line with the previously mentioned objectives, facilitating the procedures of target groups to loan access has been considered a priority of the Program, as those groups are usually considered "non bankable" by traditional financial

institutions. The Program has been implemented in 12 CDAs in Giza and 16 CDAs in Minia.

Starting to work with CDAs in Giza

CDAs constitute the main channel to reach the target group because they operate within the community by identifying the beneficiaries and by collaborating to the successful development of the projects.

PAP started working with 5 CDAs in Giza in June 1998; so far, that program has reached the number of 12. The CDAs were chosen out of 66 Associations with the cooperation of MISA according to the following criteria:

- Absence of similar credit projects in the area
- Qualifications and skills of the staff
- Willingness to work with the Program
- Socio-economic conditions of the CDA geographical area.

Entrusting CDAs

Each CDA signed an agreement coherent with the Program objectives before starting its activities. In each of them, a "credit loan unit" has been created: it consists of two field officers - one working as a treasurer and the other as an accountant – to whom one volunteer is added.

Each CDA started its activities on an initial grant of 300,000 EGP. This money transfer continued according to the ability of each CDA to manage the loan disbursement and the repayment rate till they reached the break even point, which means the moment in which the revenue equals the operational expenses.

The CDAs thus have become sustainable and are been able to carry out their activities without receiving any financial support from the Program.

All the CDAs in Giza have reached their break even points, the first two being Mazgouna and Abu Al Nomrous on June the 1st 2001 and the last ones being Madinet Al-Tahrir and Omal on April the 1st 2004.

Extending the Program

On November the 30th 1998 MISA requested the expansion of the Program to Minia Governorate.

According to the agreement, the Program was implemented in Minia with 16 CDAs which were chosen according to the same criteria used in Giza.

Social Interventions

PAP is a microcredit program the main tool of which in alleviating poverty is the **revolving loan scheme**. During the working years with its beneficiaries the program recognized some of the social needs, not available in the targeted areas, that could be satisfied by the Program.

Accordingly, the Program offered new services which meet the needs recognized and which are in line with its goals of fully serving the community. The services offered could either be in the form of loans or grants.

These services could be listed as follows:

- Sanitation
- Birth Certifications and ID Card provision
- Ecological ovens
- Libraries
- Water supply
- Conference Hall
- Socio-cultural centres

Capacity Building

The Program believes in the importance of human resources. For this reason it included in its plan the provision of training and capacity building activities for PAP staff, MISA employees, the staff working in credit units and CDA staff. In addition, it provides vocational training to help the beneficiaries run their activities efficiently.

Program Policy

Revolving loan activity

Ever since the first day the Program took into consideration the issue of sustainability. Accordingly, a revolving loan scheme has been designed and employed by the Program.

It has thus been necessary to draft a policy balancing between reaching the poor and giving the chance to a larger number of beneficiaries to loan access.

The Program policy regarding loan sizes and stages is in line with the Program's objectives.

Program methodology

Sizes and Stages:

Starting from LE 200 up to:

[obj]

Anyone who meets the following criteria can apply for a loan from his/her nearby CDA.

The criteria are:

- Age between 21-60 years
- Egyptian Nationality
- Valid ID Card
- Family monthly income up to LE 900
- Individual monthly income not lower than LE 150
- Good reputation
- The residence of the beneficiaries.

After revising the social situation and preparing the feasibility study for the project, the beneficiary gets the approval from the Loan Committee if he/she is eligible.

Special attention is paid to:

- Women households
- Orphans
- People with special needs (Disabled)

PAP finances only the activities that are included in the following business categories:

[OBJ]

Repayment Method

Loans are repaid in monthly installments. The repayment duration cannot exceed **18 months**, with a possibility of six-month grace period. Loans are disbursed with an **11% annual flat interest rate**.

Social Loan Tracking System (SLTS)

With the aim of finding an accurate method for data collection, for follow up and for monitoring, PAP uses a Social Loan Tracking System, a program that uses open-source technology.

Open-source is a technology “made by the people for the people” and shares an ethical view with microcredit; this is one of the reasons why it has been chosen by PAP. The system can also be shared with other microcredit Programs active all around the world.

At the beginning, this program needed to be tested. The choice fell on the CDA of Desamy, data of which entered the system as a pilot test. This was very useful in order to understand problems and difficulties, and after making several modifications on this program it started working efficiently as a network and CDAs started to send their data through the system to the headquarter.

Through this system, the program guarantees that the data of the 28 CDAs, the two regional offices and headquarter integrate in one system.

PAP Methodology Book

This book provides information on one of the best microcredit practices in Egypt, and it contains rules for action on how to manage a revolving loan activity. What makes it so special is that it is the first of its kind.

It contains the entire administrative and financial rules to record all the dealings that are related to the credit program, to guarantee that these loans will actually reach the target group. In addition, it helps in unifying all the concepts for all those who are working with the Program, specifying the roles and responsibilities for an

easy implementation and an internal monitoring of the operational steps. This helps to measure the results of the Program and develop its effectiveness.

As the CDAs play an essential role in implementing the policy of the Program, it was important to address the content of the methodology book to them. The book thus tries to help CDAs in planning microcredit activities and decision taking so as to broaden their services and better understand the basic strategic planning of the Program.

'PAP Methodology Book' is a tool that guarantees transparency and internal monitoring which are the essential principles for the sustainability of the Program.

The Federations

The two federations in Giza and Minia are considered the main actors that support the sustainability of the revolving loan activity.

Sustainability comes in accordance with article 51 of law 48, 2002 which rules CDAs and NGOs and encourages the cooperation of CDAs working in the same field.

Thus the Federations are in charge of institutional capacity building of the CDAs members in order to enable them to manage the disbursing procedures and cash-flow, to follow up the activities efficiently, as well as to assess the various communities' needs and to publish a list of the member-CDAs in order to introduce their activities to the citizens.

Small Enterprises & Community Development Association (SECDA)

As a tool to promote socio-economic development, the Program employs:

- the **Revolving Fund** (Social component)
- the **Guarantee Fund** (Market Oriented component): to help potential small entrepreneurs in having credit access for amounts bigger than the Revolving Funds.

The Small Enterprise and Community Development Association (**SECDA**) was established as a local NGO under the auspices of the PAP to be responsible for implementing and managing the Market Oriented Component of the Program in Giza Governorate. SECDA works to provide development tools for our community through microcredit as an effective driving force in poverty reduction and in new employment creation process.

SECDA is registered as a new NGO under the Egyptian law of 32/1964, n. 1423/99.

The Program overall objective regarding the market-oriented component is to reinforce economic growth and to generate new job opportunities by supporting the small and micro enterprise sector through the network of the Community Development Associations (CDAs).

SECDA has the following specific objectives:

1. To empower NGOs through the establishment of Micro and Small

Enterprise Unit and to assist the NGOs in reaching the operational break-even point before phasing the Program out.

2. To empower micro and small enterprises towards the local banking system in order to get financial support with the aim of generating new job opportunities and of creating new self-owned business, particularly among youth and women.

In September 1999, SECDA signed two agreements, one with PAP and one with the Credit Guarantee Company (CGC) to implement a credit program for the micro entrepreneurs in Giza Governorate.

PAP provides support to the action of the Egyptian Government through the Ministry of Insurance and Social Affairs (MISA) in reducing poverty and creating job opportunities in order to soften the effects of the Economic Reforms and the Structural adjustment program. PAP responsibilities are assessing the training needs of SECDA, monitoring and following up the loan disbursement and repayment, conducting and organizing internal and external audits in collaboration with the CGC for small scale enterprises.

The CGC is responsible, in collaboration with PAP, for identifying banks willing to provide a credit line to SECDA for the disbursement of loans with leverage up to three times the guarantee fund and must not exceed the sum of 7,5 million LE.

The overall objective of the Program is to support Egyptian economic growth and create new job opportunities. The specific objectives are:

- To provide loans to support micro-enterprises, who have no collaterals, to deal with banks;
- To create new job opportunities;
- To strengthen the managerial capacity of micro-entrepreneurs.

The target beneficiaries are the micro-entrepreneurs in Giza Governorate which employ up to six workers and which have field capital value ranging from LE 2,500 up to LE 40,000, from which land and premises are excluded. Although all kinds of business activities are favored, particular attention is given to manufacturing, craftsmanship and service enterprises, as they are labor-intensive activities.

SECDA's activities include:

- Loan disbursement to small and micro enterprises in collaboration with local and international organizations;
- Training courses and technical assistance to the beneficiaries;
- Helping the beneficiaries in marketing their products, by facilitating their participation in exhibitions and fares
- Enhancing the role of women in the community development; Organizing workshops, seminars and meetings to exchange experiences and information with other organizations working in the development field.

The loan ranges from a minimum of LE 5,000 up to a maximum of LE 50,000. There are five loan categories or loan cycles. In each cycle, the amount is repaid in fixed periods. However, also applications for loans beyond the third cycle are taken into consideration, if needed, according to the feasibility study. Depending on the feasibility study and cash flow statements, the repayment period varies between 12 to 24 months. SECDA allows a grace period of not more than three months, according to the needs of the project.

Dr Amjad Yaaqba, former Director of Italian – Egyptian Poverty Alleviation Program

This Program was established by the Italian Cooperation as a bilateral grant program. The first project management unit was composed by Dr Lorenzo De Prosperis, in cooperation with professional Egyptian partners. They started coordinating with local community organizations and Federations, showing since the beginning that the most important indicator for this project was the network, which proved these results. These have been also reached thanks to the hard work of the staff involved in every CDA: field officials, tellers, accountants and volunteers, and five members of the loan sector.

In brief, we are talking about eleven individuals involved in each CDA, and we cannot compare the successes of this project with any other project without taking into consideration that there is a significant number of individuals in each project whose salaries are covered entirely by the microcredit allocated interest: this is called sustainability, which, besides the deep involvement of local communities, who became actors of their own development and were empowered by the Program, is the most significant aspect of this project.

Throughout the two years I spent in Cairo as the Director of PAP, I visited the Federations many times, benefiting from this experience. Federations and CDAs members, work very well on a very simple economic theory, that is, how small amounts of money can be used to establish enterprises, and I believe that it is one of the power points of this project.

The project went through three main stages. The first one was the research for the initial grant and sustainability. I remind you that the innovation of microcredit is in offering loans to financially excluded individuals and not in providing subsidized facilities to poor people. These people are usually willing to pay an interest rate on receiving adequate services.

The second stage regarded the technical continuity, which is the ability of the Federations to manage and monitor this project.

The third one looked on the institutional and legal continuity which leads to an operational unity among these Federations.

All the three above mentioned stages were facilitated by the drafting of a manual. I would like to mention a couple of prominent members who participated

in setting up this guide: Mr Wael Gamal, who designed the financial section in that guide and Mr Mohsen and Mrs Maha Salem, who contributed to its preparation, and I would like to thank the two of them.

Of course, this guide is an important document which guarantees the continuity and achievement of the expected results. Moreover we seek to go on, whether this development or that continuity will depend on managing the Program itself and on distributing it to other CDAs, or on extending the project through the disbursement of a higher number of loans.

The manual clearly states the structure of each assembly: a loan committee, officials and professionals. In addition, the Federations should provide the distribution of work force and to do this it has to be therefore provided with a proper mechanism and a serious plan to spend these loans in an effective way.

Most of all, loans are considered to be used in a proper way when their output takes into consideration social activities aiming at improving the community's quality of life, such as a library, a cultural centre, water and sanitation interventions and so on. This is a brief summary of the social activities and initiatives implemented with the project. The project is doing its best in order to support the absolute priorities for the community.

The project disbursed 37,000 loans till the end of December 2004 and the number is increasing in line with the functioning of the revolving funds. We made it clear that the percentage of women beneficiaries has to increase and is increasing.

Thank to the procedures followed by PAP, not only the gender perspective is acquiring more and more importance, but also the repayment rates are high and new people approach the Program every year.

At last, I would like to thank those who prepared this seminar, and thank them for inviting me and asking me to present the Program.

Dr Mohamed M.H. Saleh – Director of SECDA
(Small Enterprises Community Development Association)

Good morning.

As a non-governmental organization, SECDA was established in 1999, and then notarized at the Ministry of Social Affairs. Its establishment was completed under the supervision of the Italian International Cooperation and Egyptian Poverty Alleviation Program. As SECDA, the market oriented component of PAP, we are responsible for the implementation of the component of the small loans.

The NGO SECDA is a public assembly, and its main component is the General Assembly, which started working with 35 founders and reached 47 members at present day. Among them seven members from the General Assembly are elected for the board, while its executive staff has 12 employees and 4 specialized

committees through which we manage the mission of SECDA. The market oriented component was established under the agreement between the Italian Poverty Alleviation Program and the Ministry of Social Affairs and the Credit Guarantee Company (CGC).

The Program started with EGP 2,6 million financial support and, as the amount of the loans disbursed through SECDA, which has a different target, is a little bit higher than that financed by PAP (starting from 5,000 to 40,000 EGP), at first we concluded an agreement with the Credit Guarantee Company to enlarge the outcome of the Program and to assure the maximum benefit for a reasonable number of beneficiaries.

As stated before, the loans cover an average amount ranging from 5,000 to 40,000 EGP distributed to five loan categories. In five years we disbursed about 2,512 loans which equal 33,5 million EGP, and throughout the five years we have made 4,600 studies and visits on the field to microentrepreneurs, while by the end of 2004 we achieved a percentage of repayment of 98,4%. Moreover, we are financing three sectors: commerce, services and industrial production.

We are covering the Governorate of Giza entirely and focused our activities on 6 other areas: El Haram, Faysal, Imbaba, Boulak, El Omranya and South and Mid Giza. The association reached its break even point on July, 2001, 18 months after the beginning of the project. I would like to seize the opportunity of the end of the first phase of the Italian Program in Egypt to thank all of you.

Eng Benevento, Italian Cooperation

I would like to underline a very specific characteristic of PAP microcredit scheme: the loans (in kind, not in cash) are given to beneficiaries after the social worker field officer and the beneficiary have identified the project. The field officer then meets a purchase committee, and at this stage, the beneficiary receives his/her loan, starts his/her activity and repays it in cash. The repayment is based on the capital plus an interest, which is a flat rate interest that ranges between 11% and 14%, according to the kind of loan, is paid back to the CDA which reinvests the money in new loans. This methodology of managing microcredit by the CDAs themselves and not by commercial banks allows the revolving fund to grow fast in producing a surplus which is used both for increasing the capital and for social projects in the same community (see diagram on the next page).

The Program, after seven years, and before the handing over of the management and the implementation activities to the Egyptians, has promoted the establishment of the Federations of CDAs both in Minia and in Giza. So the role of the Federations will be exactly the one that comes out from this debate.

Federations were created to guarantee the flexibility of the management of the revolving fund and to guarantee the establishment of the facilitators' roles that can accommodate and manage all the problems, and can provide enough

training for the CDAs whenever new ideas and methodologies have to be applied.

Open Discussion

Q1: The Guarantee Fund was deposited with the bank, the 2,5 million has generated 7,5 million to be given in loans; does the bank charge an interest on the seven and half million as a line of a life credit, commercial interest or cost?

A1 - On the 7,5 million loans, the interest charged by the bank is 12% while on the 2,5 million Guarantee Fund the bank only charges the expenses.

Q2: What is the role of the Credit Guarantee Companies for you, as an association? Can you work directly with the bank and deposit the money there?

A2 - The main role of these companies is to guarantee the credit section. With a deposit of 2,5 million, no bank will open a credit line exceeding a percentage of 92% of this deposit. For old clients this percentage could reach 100%. On the contrary the Guarantee Companies, as a group of banks, cover the risk for three times the deposit, so paving the way to serve more beneficiaries with loans.

Q3: Do these companies receive an interest from the deal?

A3 - They do take a commission, not an interest: their commission is 25% from the deposit interest. And they also take what is equal to 1% from the highest debt of the credit line deducted from the deposit interest.

Q4: I received loans more than once. Can I receive one more loan even if I am older than 60? What happens if I take the loan but I pass away before I can repay? What are the responsibilities of my children in this sense?

A4 - You said that you borrowed from the Association of Imbabba, so if your activity is still working, you can come to us in SECDA, because we allow people from 60 to 65 years to receive loans.

The main idea of the project is to reach the individual who is expanding his/ her activity. Moreover, on the bases of studies we have carried out, we assume that the three or five stages will enable the individual to continue develop and transfer his potentials and his activity through SECDA, which allows more loans than the average. This way the beneficiary will therefore be in no need of new loans, because at this stage the income and the activity can finance itself independently.

When we talk about PAP we must remember that the targeted category for this project was established for assisting the very low income people in order to give them a chance to live in dignity and honor; so we must follow the objectives of this

project, and then the beneficiary can learn to apply for loans in other banks or institutions.

So, the project is a competitor for banks but it applies to categories which cannot reach the banks because they are the weakest ones in the society. On the other hand, if someone comes to me to get a loan, and every time he/she repays it, he/she goes on by taking more and more loans, since he/she is able to repay the association. Finally he/she will be able to take a loan from the traditional financial sector; this way microcredit will for sure to reach the goal of fighting financial and social exclusion.

In addition, no project should be static; of course we have to solve all kinds of problems we could face during the execution of the project. At the moment we are studying these kinds of problems and we might find solutions. I think the main reason of these problems is due to inflation and the loan size (which is still the one of five years ago), will probably not meet the beneficiary's needs. So, according to what the mechanism can produce, the CDA may decide to increase the loan size to actually address this kind of problem.

There is a big flexibility in the mechanisms of microcredit, the important thing is full consensus and full participation of people in addressing problems and finding solutions.

Workshops outputs

- *FIRST WORKSHOP - Mrs Heather Henyon, Grameen Fund, USA:
Community empowerment thorough microcredit*
- *SECOND WORKSHOP - Ms Micol Pistilli, gender consultant:
Microcredit and gender perspective*
- *THIRD WORKSHOP - Mr Sebastien Duquet, PlaNet Finance
Morocco: the Social Loan Tracking System*
- *FOURTH WORKSHOP - Mrs Chiara Segrado, UN Fellow, Italian
Cooperation: From microcredit to microfinance*

FIRST WORKSHOP: COMMUNITY EMPOWERMENT THORUGH MICROCREDIT

Mrs Heather Henyon, Grameen Fund, USA

In the first workshop we discussed two approaches to community empowerment, the **PAP or CDA approach** and the **Grameen methodology**⁶. The first one has been used in Egypt and implies that empowerment strategies and actions should not be concentrated in one hand, but its responsibility should be shared among different actors.

Some of the issues and questions that were raised with this approach included the difficulty in planning and the passive participation of the beneficiaries.

The second approach presented is the Grameen methodology. Grameen foundation provides technical assistance, financing promotion and technology to local MFIs in Egypt, Morocco and Saudi Arabia. Grameen Foundation believes in improving the quality of life of the poor, especially of women. We also believe in strengthening the institutions to better serve communities and clients.

One of the methodologies used by Grameen Foundation is the village banking methodology, which usually includes group lending and empowers the institution by providing access to capital and funds.

Some questions and issues that come from this approach:

- How does this approach affect the women's home life?
- Does it also affect her relationships in the family and her working life?
- Are we really reaching the poorest?
- Do beneficiaries have to own an income generating activity before asking for a loan?
- How do we reach the poorest?
- Do CDAs really promote the contribution of those who have the power inside the organization?
- and finally, are microloans really a community empowerment tool?

Eng Guido Benevento, Italian Cooperation

As far as PAP is concerned I think that we have dealt with the poverty problem in different ways. In fact that was not only a project for micro projects, but also a project of social and economic dimensions. In accordance with the Millennium Goals, we tried to reach female beneficiaries, promote their development and observed it. Especially for women, the Program supported the local communities in issuing national IDs which enable them to deal with different formal bodies and in organizing their activities; to this we also add the promotion of general culture activities by opening of libraries.

Even if the project has reached high positive results in this field, we cannot deny that it has also faced some difficulties. These were overcome by working together

and the honesty in our cooperation proved to be one of the positive aspects of the project. In addition, one of the indicators for the success of that project is that we have begun working in three Governorates, and we have been very concerned on how we could benefit from previous experiences.

At the moment we are still following the same method and the project shows many positive aspects we hope will pass onto the next project. The project also counts for some negative aspects, but they are not worth being mentioned right now.

I believe that if we want to start up a similar project, we must determine beforehand the standards of participation of the foundations, the standards for choosing the beneficiaries of the program and the priorities. Also the high repayment rate, which is around 99%, is a sign of the progress of the projects, but the main objective for us has always been the impact of the project on the beneficiary's life and its social effects (we hopefully mean improvements) on the beneficiary's communities.

SECOND WORKSHOP:

MICROCREDIT AND GENDER PERSPECTIVE

Ms Micol Pistilli, gender consultant

Thank you. My name is Micol Pistilli and I am the gender consultant for PAP. The second workshop was moderated by Mrs Huda Badran from Alliance of Arab Woman with the representatives of the National Council of Women.

The main outcomes of the open discussion can be summed up in three main points, assuming that reaching out women clients through microcredit is considered to be one of the main objectives of most international policies that are dealing with poverty fighting.

1. There is a great need of doing much more for women clients. PAP did very good by disbursing over 8,000 loans to women, but if compared with the main outcomes, women still score low rates because they represent only the 25% of all PAP beneficiaries. This means there is a strong need to implement new policies to reach women clients with PAP but also other types of realities working in microfinance. One of the best ways to achieve a higher involvement of women in microfinance is training both the communities and women themselves, but also the field officers, volunteers and the local authorities in order to allow them to be aware of the gender problem and to allow them to operate more gender oriented. PAP, for example, needs to involve more women in the staff, in order to make potential beneficiaries feel more at ease when they approach the CDAs. The CDAs, in fact, should be more dynamic and reach the potential beneficiaries by explaining them what the program can offer and how to apply for it.
2. Microcredit is an effective tool to empower women, especially when it is mixed with other social interventions such as education and training and, in

the specific case, in the provision of identity cards. This is a fundamental point: without an ID human beings do not even exist in front of the Authorities. They do not have any right, not only to access finance but also to open an activity or a business.

3. There is a need for a stronger coordination between councils and ministries that are targeting women and are involved in the provision of MF, in order to join resources, share information so to be more effective on the field.

THIRD WORKSHOP:

THE SOCIAL LOAN TRACKING SYSTEM

Mr Sebastien Duquet, PlaNet Finance Morocco

This third workshop was dedicated to the analysis of the **social loan tracking system**, and to compare what could be an open source solution with the classical software that exists on the market. I have to say that it was an interesting workshop in which we analyzed the contradicting approach to the application of technologies to deal with development issues, in particular with those regarding microcredit: should we choose an open source solution or should we choose a close source solution?

The first one is a technology that was developed by the PAP together with It Synergy, a consultancy firm.

On the other hand, I have made a presentation of a process we have used in Morocco to select a proper MIS system for six small MFIs, and I have presented the best practice approach for selecting appropriate existing software. In this case, the software used was a closed source software and in order to use it, it is necessary to buy a license.

From the community development point of view, open source can constitute a very good tool. The communities and CDAs recognize that technology is a great support for their activities; for example, the It Synergy Consultant expressed the need for a web based tool to be designed and tailored on their needs.

Somebody also mentioned that open source is some kind of philosophy that asks for improvement and that improvement can come only from users, such as the CDA. The users of the social loan tracking system, developed in Egypt for PAP, agree that it is a community tool that can be utilized in other countries and in other microcredit programs. This way, the tool itself can also be improved.

The Grameen foundation technology centre is now focusing on the open source to provide a technological solution for microcredit and I have to say that in Morocco we are working together with Grameen foundation on the implementation of the credit program and for it we use exactly the same open source solution used here by It synergy for the social loan tracking system.

The conclusion then was the validation of PAP's choice to utilize open source technology for its activities.

FOURTH WORKSHOP:

FROM MICROCREDIT TO MICROFINANCE

Mrs Chiara Segrado, UN Fellow, Italian Cooperation

The fourth workshop was moderated by Bas Auer, from the Egyptian consultancy firm EQI, and it was about the shift from microcredit to microfinance. After a very interesting discussion we came out with six points that I am going to summarize as follows:

1. The majority of microcredit projects focus on the support to income generating activities, but experience has shown that microfinance is not a *panacea* that can solve all the poor people's needs, even if it helps reducing poverty and improving their income. All this leads to the need of widening the range of financial products: in Egypt, for example, there is the need to implement market research to find a specific product for any specific market, but also to make the target groups for microfinance aware of their actual financial needs, because most of those people are not skilled enough to be conscious of the financial needs they actually have. The answers thus could be given by tailoring financial products to their needs.
2. Secondly we focused on the challenges that the microfinance market is facing at the moment, which are: inappropriate regulations and procedures; distorted role of the public institutions in delivering these services, especially by providing grants, which consequently led to a distorted idea of the financial market; the lack of awareness of the private sector for the potentialities of this market. As a matter of fact this sector is not seen as profitable, especially by traditional financial institutions.
3. Thirdly we focused on the best practices and experiences. For example, a

representative of the Social Fund for Development told us about one of their pilot projects for developing and providing health insurance in rural areas.

4. The fourth point of discussion concerned some recommendations to make microfinance work in the Egyptian context and to be more precise: the role of commercial banks in microfinance and the reasons why they should or could be involved in the enterprise through a process of downscaling. The group also recognized that the beneficiaries do need broader financial services, not only credit: that is why most of the practitioners prefer to use the word "microfinance" and not "microcredit". There was an agreement in the group on the great potentialities the cooperation stirs in delivering these services.
5. The last point of discussion was on savings, especially on whether non-financial institutions, for example, NGOs should be allowed to capture savings, a kind of bottleneck in the strategy shift from microcredit to microfinance services. In both cases, there is a need to be met: people need also other kinds of financial services, especially savings, and to that need MFIs could give an answer by acquiring capital for credit services.

Closing Session

- *Round Table: Developing new policies*
- *Open discussion*
- *Conclusion*

Round Table: Developing new policies

Moderators: Dr Mohammed Tawfik and Eng Guido Benevento

Dr Medhat Massud, Social Fund for Development

Good afternoon everybody. First of all I would like to say that it is my honor to be here to represent the Social Fund for Development. My name is Medhat Massud and I am the head of the **Community Development Unit** of the Social Fund for Development.

First of all, I would like to say that the Social Fund for Development has been one of the main actors in the field of microfinance in Egypt since 1992. Since the beginning, the Social Fund for Development has promoted microfinance as an

effective tool to fight poverty even if at the beginning we had no unit specifically devoted to microfinance.

The new Egyptian law on SMEs (n. 141, 2004) is giving the Social Fund a wider role as an actor in the endorsement and delivery of these services. Now we are operating with a specific unit which constitutes an apex body working under the umbrella of the Social Fund for Development. Also, the Social Fund is now in the phase of introducing new microfinance services in the Egyptian market: we are testing different ideas and ways to find new microfinance services and we are thinking of delivering diversified products, for example, by funding some kind of micro health insurance programs. The Social Fund is also engaged in projects supported by the UNDP and the EU in establishing a new national strategy for the microfinance sector here in Egypt. I think that my colleague Ghada Waly will give you clear ideas about this kind of activity.

Eng Guido Benevento, Italian Cooperation

Thank you, Dr Massud, for your brief but precise presentation on the effective role of the Social Fund in Poverty Alleviation Programs. Microcredit and microfinance have been growing up year by year, and because of the mandate of the Prime Minister they are now more and more expanding their role in poverty alleviation in Egypt.

At the moment, the Social Fund has the full mandate to manage and to guide the strategy and the policy of microcredit in the country and I wish that, after the discussion and the conclusion of this seminar, we will be able to provide the Social Fund with some inputs for extending and making more effective policies to the field of the Poverty Alleviation Programs.

Mrs Ghada Wali, UNDP Cairo

Thank you and good afternoon. I am the assistant of the country representative of UNDP, and I am responsible for Poverty Alleviation Programs and Small and Microenterprises development projects. Microfinance is one of the fields in which the UN is involved. UNDP has participated with many other partners such as public foundations, the Social Fund for Development and Egyptian commercial banks in this field.

Four years ago the United Nation Development Program supported and implemented a project in El Fayoum Governorate. This project was a pilot project to assess the best practices for a microloan program to be carried out with three public foundations.

From such an experience we benefited very much, and assessed that this important sector needs a transparent and clear strategy to be followed by all the actors who work in this field.

In the year 2004, with the supervision of the UNDP and the American Assistance Program, by means of a German subsidy, a one year project, called "Towards a

National Strategy for Microfinance", has started. This project aims at having a general view on the entrepreneurial initiatives in Egypt and focuses on the weak points that block the spreading of this kind of activities in the country.

Egypt has carried out projects like these since the 1960s (the productive families projects supported by the Government). Any way, the potential beneficiaries are still underserved: the number of the debtors is not higher than 350/400 thousand people and 80% of the needs recorded have not been covered yet.

The project we have established will last for one year, and will be monitored through round tables and meetings to discuss different issues related to microfinance. Such round tables and meetings are to be prepared with written documents on given issues, such as the role of commercial banks or public foundations in microfinance, but also the legal framework, the product diversification, the information mechanisms, the role of donors.

Each round table has discussed an issue that was prepared by experts, and usually an average of 30 to 50 participants have given their opinion, views or recommendations on the topic. All the ideas have been summarized in a paper: in the end the document collecting the results of each round table will constitute the National Strategy for Microfinance in Egypt.

While we were working on our research, the resolution n. 141, 2004 has passed and this gives the opportunity to define small and micro loan tracking systems. Moreover, the resolution defines the Social Fund as the main body for planning and coordinating in the context of microfinance policies. For these reasons, we contacted the Social Fund in the coordination of the project committee and since then the Social Fund has been working on the creation of a new policy.

The main goal of these round tables is to bring together the Ministry of Social Affairs, the Central Bank, commercial banks, public foundations and the private sector, in order to create a shared vision for the sector. From the discussions, one recommendation emerged: that is, we should call for facilitating the work of public foundations by creating links with banks, which are the natural financial place and not with the donor bodies in order to seek for sustainable mechanisms for this sector.

At this point, the question that arises is about the role of banks and of public foundations. Although many banks have many branches, a great number of workers, mechanisms and infrastructures, they cannot reach the poorest and cannot provide services to rural regions, because they are not aware of the potentialities related to lending to the poor. For this reason they are not able to provide a better service.

However, there are four commercial banks which are already involved in microfinance⁵, but they need more technical support, because they should look at microfinance as an initiative separated from other initiative, with specific

mechanisms and needs.

Moreover, the state must adopt specific policies in order to assist this sector, and the Central Bank should apply those policies to help revive and develop this sector efficaciously. Thank you.

Dr Mohammed Tawfik, Ministry of International Cooperation

Thank you Ghada.

I would like to remind all of you that the UNDP was present in the process of the establishment of the Social Fund and assisted the management of the new born institution.

Now, after many years, the Social Fund has become a permanent institution in Egypt and the relations between the Social Fund and UNDP have always been strong and productive. I fully share

5. Also see: Segrado C. "The involvement of commercial banks in microfinance: the Egyptian experience", University of Torino, Italy, MEDA Project "Microfinance at the University", August 2005
Mrs Ghada's opinion that the national policy will establish the rules mainly for some specific bodies, like banks and governmental institutions. Anyway, after years of experience here in Egypt it is our duty to formulate a policy and a strategy which takes into consideration all these experiences, and my wish is that this seminar and the outcomes of the discussion will really give a concrete contribution for formulating this policy.

Now, we will open a discussion.

Open Discussion

Q1: (to Mrs Ghada Wali): you said that the program lasts only one year, and that there is a working group of about 30 persons, that has organized the roundtables. So, what measures have been taken to choose these persons? What recommendations will be submitted? And, to whom will they be submitted? And who will benefit from these recommendations in the conference that will conclude the project next September? Thank you.

Mrs Waly: Regarding the first question, one of the activities which was set at the beginning of the project was the assessment of the stakeholders and the members of the working group have been chosen according to this assessment; they also include commercial banks working in the field of microfinance, such as Banque du Caire. The conclusions of the roundtables will be collected in a paper and submitted to all microfinance practitioners in Egypt, in order to build a National Strategy for microfinance.

Q2: (to Dr Medhat Massud) How do you consider the role of the Social Fund for Development in this strategy?

Dr Medhat Massud: We all know that the Social Fund has many programs, and our experience in the field might be standardized. In Egypt, we run many programs at a national level, such as the Abolishment of Illiteracy.

If we are talking about recommendations and results, we must fully trust our governmental institutions, whether they are banks, the Social Fund, or the Bank Nasser. There is a great hope in the roles of those institutions for the next coming phases.

Intervention of Mr Anwar Ibrahim Yousef: The latest cooperation between the Social Fund and the General Agencies for Adult learning was not fruitful at all; many problems emerged there and I am ready to study with you all the financial problems, the technical and institutional supports.

Intervention of Mr Magdi Farouk, Director of El Ghad Board, Minia :

I would like to thank the Egyptian - Italian project, and give our thanks to the Social Fund of the Governorate of Minia. I would like to say that we do have two projects with the Social Fund: one on the procreative health, and one on the Abolishment of Illiteracy. The first project has provided 25 job opportunities in 3 years, and through the cooperation with the Social Fund we mean to extend that project, after it had achieved proper results. Concerning the Abolishment of illiteracy project, granted by the Social Fund, we have set up 20 classes for illiteracy abolition.

Dr Medhat Massud: I think that these topics should not be dealt with at present. Today we are discussing microcredit, studying the success of a project, PAP, and trying to find out the useful lessons from this project. However, since you raised such issues, I will rapidly respond to some of them.

First, the Social Fund is an open agency and its regional offices are in all the Governorates, so any complaints should be made directly to the Social Fund office that is present in your Governorate, and in case it does not solve the problem, you should contact the Cairo based Social Fund office.

Second, the mission of a local association is considered to be a volunteer work, so we must understand that everyone working for any association should obtain his/her rights.

Third, concerning the illiteracy abolition issue, the Social Fund is not working independently from any national agency in Egypt. I mean that the Social Fund, when dealing with the project of illiteracy abolition, is not ignoring the role of other agencies. Moreover, an agreement has been almost reached between the Social Fund and the agency branch in the Gavernorate, and the role of a local association is to integrate the implementation of such projects.

Conclusions

Moderators: Eng Guido Benevento and Dr Mohamed Tawfik

Eng Guido Benevento, Italian Cooperation

I would like to present my appreciation to all of you.

You have participated in the activities concerning the management of the microcredit scheme established with the Poverty Alleviation Program. And as Her Excellency, the Minister Ameena El-Guindi as well as His Excellency, the Ambassador of Italy, have said this seminar marks the startup of a new phase of this joint Program. Starting from now, the Program is fully manageable and all the activities can be implemented by you, by the CDAs and by the Federations under the supervision and control of the Ministry of Insurance and Social Affairs.

For the Italian cooperation, this is a very important achievement, and we are very much confident that the project is fully sustainable and all of you will be able to run the activities and even to increase these activities with your own resources and your own efforts.

This is a very big achievement, and I really would like to express the appreciation of the Director General of Italian Cooperation to have reached this point: this was a great challenge for the Italian cooperation in Egypt and the results are very positive. Last but not least, let me express my gratitude to all the staff who worked and is still working to make this project a success.

I think we can summarize the conclusion of this seminar in a few words, as a result of the discussion, of the presentations and of all the four workshops: that it is still necessary to establish proper rules and regulations in the microcredit and microfinance sector and to establish the proper role of some actors like the financial institutions.

The Poverty Alleviation Program has given some indicators on this: **it is very clear that the revolving fund applied to microloans for the sake of the beneficiaries has had a huge impact on the life of the community.** This capital is not in a bank; in this precise moment almost all of the 28 CDA's have something like 500,000 Egyptian pounds as outstanding loans. The revenues of the Program are reinvested in activities that have a huge impact on the communities.

PAP focalized on **social interventions**: after all it is a poverty alleviation program. The Italian Cooperation point of view is that microcredit is a tool of development and it has to be considered as such. This is one of the reasons why we hope to contribute to the debate on the role of the International cooperation on one side and of the traditional financial institutions, namely the banks, on the other.

Appendix

- *References*
- *Annex I*
- *Annex II*
- *CD ROM*

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Annex I

Documents

To those who were willing to participate in the International Seminar but did not have the chance to be physically present, the Italian Cooperation gives the chance to send papers and documents that could be considered relevant for the discussion.

The integral version of the documents can be found in the CD ROM attached to this book, but the reader can find an overview in the following lines.

Susan Johnson is a researcher and a consultant specializing in evaluation and impact assessment of microfinance programs. Previously she worked in for ActionAid reviewing their microfinance work in Asia, Africa and Latin America and has since undertaken similar work involving NGOs in Bangladesh, Kenya, and Zambia. She is co-author, with Ben Rogaly, of *Microfinance and Poverty Reduction*, published by Oxfam. Contact details: Centre for Development Studies, University of Bath, Bath BA2 7AY, UK.

Her papers:

1. *Gender impact assessment in microfinance and microenterprise: why and how*, Development in practice, Volume 10, Number 1, February 2000

Understanding the way a project has approached gender is a good starting point in designing an impact assessment. The impact assessment work might then be approached as follows: establish a gender baseline, consider the potential impact of the project on gender relations, establish the information and indicators required, collect and analyze the data using tools and techniques appropriate to the task. It is also important to take into consideration other non quantitative factors such as how people organize

their financial and economic affairs inside the household, which is usually a very delicate area.

2. *Gender Norms in Financial Markets: Evidence from Kenya*, World Development Vol. 32, No. 8, pp. 1355-1374, 2004

The role of institutions – rules and norms – in markets is increasingly recognized in development area. This paper considers the role of gender relations for rules and norms in financial markets. Using evidences from Central Kenya it develops a framework for establishing the influence of gender on the demand for and on the access to financial services. Then it explains the gender differentiated use of rotating savings and credit associations (ROSCAs). First it analyzes intrahousehold norms related to income and expenditure flows and their management to identify gendered patterns of demand. Second, by conceptualizing financial intermediaries as operating within rules and norms, it allows the influence of gender relations on access to financial services to be more systematically investigated.

3. *A new gender agenda for microfinance?* Small Enterprise Development Vol. 15 No 1 March 2004

Debates about the impact of microfinance on women's empowerment have now been going on for some time. The first problem is the term 'empowerment' itself, as it is often used but its clear definition is often in the mind of the beholder. Along with these problems of definition, studies that have delved into women's experiences in detail have exposed a range of negative impacts, such as increased workloads for women, the withdrawal of male contributions to household expenditures, not to mention even domestic violence and abuse. This highlights the issue at the heart of the overall debate: it simply defines women's efficient way to development – that is, to getting credit into the household – . Since women, more likely than men, are available in the home, attend meetings, are easily guided by field staff and take repayment more seriously, why shouldn't they themselves invest or control the loans?

Zvi Galore has worked for 22 years at the International Institute – Histadrut, Israel, and 6 of which as the Academic Director of the Institute. His website is: www.coopgalor.com.

His papers:

"Thinking about MFIs and BDSs: How BDS in its Larger Sense should Serve Best the Needs of the Poor".

The paper tackles the issue about whether MFIs are satisfied with their activities as finance suppliers for small entrepreneurs, or if they should think that this activity is not sufficient and it should be linked to the other aspects needed to create a successful enterprise.

Nabil El Shami is the executive Director of ABA, The Alexandria Business Association. His presentation, *Microfinance and the regulatory framework in Egypt* gives a clear and complete overview on the chances and constraints of the present legal framework on Egyptian microfinance.

"Commercial Banking and Microfinance in Egypt: National Bank for development Case Study", **R. Dhumale, A. Sapcanin, W. Tucker** A study by the Regional Bureau for Arab States, UNDP, in cooperation with the Middle East and North Africa Region, WB

Executive Summary

There is a large unmet demand for microfinance services among the entrepreneurial poor in Egypt. It is estimated that Egypt microfinance initiatives currently reach only about 5 percent of the more than 2 million potential borrowers. In this situation, commercial banks could play an important role since they have the advantage of both outreach capacity through their branch networks and fundraising capacity through their legal ability to accept savings and deposits.

Traditionally, commercial banks in Egypt, as in many other developing countries, have shed away from microfinance, perceiving it as very risky and low-rewarding. The National Bank for Development (NBD) in Egypt, however, has had a different experience. A private commercial bank, NBD has successfully run a microlending program for over 16 years.

Microlending programs have existed in Egypt since the mid-1960s. Most microfinance services are delivered through government and nongovernmental organization (NGO) programs and some are conducted through business associations, development intermediaries, and public sector and special-purpose banks. Until recently, microfinance services in Egypt have only existed within broader human development and social safety net strategies.

An important microfinance provider is the Egyptian Social Fund for Development (SFD), which distributes sizable amounts of its funds through NGOs. There are also several national and international NGOs that have been more effective at dealing with the credit needs of the poor; they lack the infrastructure and institutional setup to expand beyond their local communities. The NBD has been the first commercial bank to start microfinance operations in Egypt.

Realizing the twin potential, for banks, of microlending for generating profits while helping to combat poverty in Egypt, the NBD, in collaboration with the U.S. Agency for International Development (USAID), has established the Small and Microenterprise Division in 1987 with microlending operations in four of its branches. By 2003, microlending services have been delivered to 22,600 active borrowers with about \$8.2 million in outstanding loans in 44 branches.

The NBD's approach to microfinance

In the Egyptian microfinance context, the NBD microlending program represents a

unique operation. Modeled in part after the Grameen Bank, the NBD program combines the attitude of NGOs and the sound financial principles of banks, to make microenterprise lending a sustainable operation. This vision has been translated into flexible lending procedures and client-oriented service delivery through well-trained and motivated bank staff. At the same time these principles have shaped and guided the starting up, the progress, and the expansion of the NBD microlending program over the past 15 years and have contributed to its profitability.

In the short run, the NBD's objective is to provide microenterprises with access to credits which would traditionally be denied by conventional banks. In the long run, its objective is to turn these borrowers into clients with more conventional banking standards.

Besides these two objectives there are several other considerations to point out: improving the quality of life of small borrowers, promoting employment generation, preserving and expanding small enterprises and fostering better business practices among the poor. The NBD deals with small borrowers with already existing enterprises that are neglected by traditional banking institutions.

The NBD loans are small and with short maturities. Up to 2000, the maximum loan size was LE10,000 (approximately \$3000). To further extend its outreach to the poor, in 2000 the bank management has decided to reduce the maximum loan size to LE3,000 (approximately \$500 at the June 2003 prevailing exchange rate). Total bank charges are about 30 percent. No collateral is required and loan approval is based on the enterprise feasibility and its cash flow cycle. The program is targeted for the poor: the average loan size is \$480 while a typical poor household of six persons in Egypt has an average expenditure level of \$1,358 per annum (2002 data).

The NBD has also made special efforts in recent years to reach female clients; as a result, the proportion of loans to women has risen from around 13.5 percent in 1998 to around 22 percent today. The program has been profitable for over 10 years. Yet, at just under 18 percent, the profit rate of the microlending operations is higher than the rate in more conventional lending bank operations.

A unique feature of the NBD structure is its mobile banking units. While this brings additional costs, NBD has been able to recuperate the costs since the poor are willing to pay for having services at their doorstep.

Loan approval procedures are transparent and quick since the entire process generally takes less than two weeks. Close supervision, while costly, supports the viability of individual enterprises and ensures high repayment rates. Another program innovation is the provision of life insurance coverage to all the borrowers and a mandatory saving component to be held in an NBD interest-bearing account.

The possibility of repeating borrowing is also an important feature. In 1998, NBD

statistics for a sample of branches showed about 76,700 repeat loans for a total value of \$74.2 million, representing over 70 percent of the total value of loans disbursed and about 10 loan cycles.

Maintaining steady growth in its client base is one of the NBD's challenges. NBD managers emphasize that the program growth is constrained by the high cost of reaching microfinance clients. NBD has chosen to serve these clients through specially trained and remunerated officers rather than using its regular work force. This practice involves high administrative costs. Another challenge is to find a level of loan charges that maintains profitability but does not choke off program growth over time. Another continuing challenge for NBD will be balancing its targeting objective with that of helping clients get more benefits out of borrowing and/or maintaining steady program growth.

The NBD program's impact

Today 20 of NBD's 44 branches are donor-financed (17 by USAID and 3 by the Canadian International Development Agency, the United Nations Children's Fund, and the Ford Foundation) and 24 are self-funded. Program outreach also grew to about 22,600 borrowers, generating an \$8.2 million loan portfolio.

NBD's microfinance program achieved profitability very quickly.

Si far no systematic and statistically-sound quantitative assessment has been conducted on the NBD microcredit program impact on the livelihoods of its beneficiaries. From a selected sample of repeat borrowers, however, NBD staff has noted increases in the number of employees in beneficiaries' enterprises and that over 60 percent reported an increase in their incomes of more than 50 percent. Other studies in Egypt have found modest improvements in living standards of microcredit recipients, including nutritional benefits. Some impact studies in Egypt suggest that microcredit programs may be less effective in reaching the vulnerable; this may be because the poor are best served by direct assistance measures, while microfinance services are more effective when tailored for the entrepreneurial poor.

Chiara Segrado is a UN Fellow at the Italian Cooperation Office, Italian Embassy in Cairo, Egypt. In the past she worked as a microfinance consultant for Italian NGOs in Brazil and India.

Her paper:

"The involvement of commercial banks in microfinance: the Egyptian experience" MEDA Project Microfinance at the University, Università di Torino, Italy. The paper investigates the process of downscaling Egyptian commercial banks into microfinance. Through the analysis of the reasons that lead banks to get involved into microfinance and the activities carried out in this field by 3 Egyptian financial institutions (Banque du Caire, Banque Misr and National Bank for Development) it tracks a line on the strengths, weaknesses and missing points of the microfinance industry in Egypt.

Annex II

PAP HUMAN RESOURCES

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Remark:

CDAs staff, totalizing 162 peoples in 27 CDAs, is not included in the above

Index of contributors**Cases**

Abu El-Kheir	16, 19, 21
Abuelnaga	2, 16
Angelozi	103
Ashraf	36
Assad	103
Auer	17, 80
Baccini	22
Badini.....	v, 2, 16, 19, 21, 22, 26, 28, 31, 38
Badran	17, 75
Barrios	103
Benevento.....	17, 42, 43, 44, 66, 73, 84, 85, 91, 103
Brandsma	13, 95
Burjorjee	13, 47, 95
Cappelletti,	103
Cocco	103
Corsi.....	2, 17, 43, 44, 50
Del Giudice	103
Del Punta	103
Deodato	vii
De Prosperis.....	61, 103
Duquet	17, 71, 77
Eidy	103
El Ashmawi	2, 17, 43, 44, 47
El-Guindí.....	iv, 2, 16, 19, 22, 26, 28, 31, 33, 91
Farouk	89
Fouad	103
Habash.....	52
Helmy	17
Hemada	2, 16, 19, 20, 21, 22, 26
Henyon.....	17, 71, 72

Ibrahim, Yousef	89
Landini.....	103
Loche	vi, 2, 16, 17, 19,
21, 22, 26, 29, 31, 44	
Maher.....	17
Mahmoud, Yousef	42
Massud.....	84, 89, 90
Merola.....	xii, 20, 103
Mezzasoma	103
Mohsen.....	62
Musti	103
Nagat Ali.....	16, 42, 103
Piras	103
Pistilli.....	36, 71, 75, 103
Puliatti.....	17, 103
Ramirez	103
Rizza.....	103
Saad.....	103
Sa'ad.....	2, 16, 19, 20,
21, 22, 26, 28, 38	
Saleh.....	64
Salem	42, 62
Sardi De Letto	103
Segrado	71, 80, 87, 96, 103
Tawfik.....	17, 84, 87, 91
Vigilante.....	2, 16, 20, 21, 24, 26, 31, 44
Vitali.....	2, 17, 43, 44
Volpi	52, 103
Wali.....	17, 85, 89
Yaaqba.....	2, 17, 43, 61

In Giza Governorate	In Minia Governorate
• El Omraniya Gharbia CDA	• Bany Salem CDA
• El Desamy CDA	• El Ghad CDA
• Wafa' Fanous, beneficiary	• Um Kommos CDA

First 2,500

Second 3,500

Third 5,000

1. Agriculture Farms Breeding	3. Commerce Small shops
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2. Services Renting Maintenance and repairing	4. Industry Workshop Handicraft Production
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	Mrs Maha Mohammad Salem, Training Officer
	Mr Mohammad Ramadan, Driver
	Mr Medhat Mohammad Swelum, Driver

68

68

to sort out of poverty: a chance from microcredit - seminar proceedings

68

68

¹ <http://www.yearofmicrocredit.org/>

Giordano Dell'Amore Foundation, Milano, Italy.

One of the main objectives of the Foundation is conceiving training as the education on modern banking culture and as the creation of a managerial class capable of restructuring and reinforcing the banking system so to contribute to general development. Since the beginning, the foundation run different courses: from very practical and basic to highly specialized or policy-oriented ones. The Foundation is presently managing the second edition of the **Master in Microfinance**, that concentrates on a specific area of interaction between **finance** and **development**: finance for the marginal sectors, that is, for those at the frontier of financial markets.

These sectors often represent the largest market share in developing economies and for these reason and it has become more and more necessary to strengthen the ability of existing and new intermediaries to deal with both of those sectors.

Training has been accompanied by technical assistance in the field so to set up or strengthen financial institutions committed to raising savings and extending loans in areas ignored by the so-called orthodox banking. The Foundation technical assistance also capitalizes on experiences and on the know-how stored up through researches. Since its origin, technical experts have worked alongside with university researchers, a practice which resulted in a stronger conceptual elaboration of projects as well as in an enlarged international networking and

publishing activity.

Sanabel is a membership-driven regional network for microfinance institutions in the Arab world. Sanabel's members serve 80% of active microfinance clients (775,000 micro-entrepreneurs) in the Arab regions.

Its mission is to maximize outreach of micro-entrepreneurs in the Arab world by providing microfinance institutions with a forum for mutual learning and exchange, with capacity building services, and with advocacy for best practice in microfinance sector.

The Foundation **Risorsa Donna** is a non profit organization, registered as a legal institution according to D.P.R. 361/2000, n. 234/2003 at Territorial Office of Prefettura of Rome of the Italian Government.

The Foundation is recognized as Not Governmental Organization (NGO) from the Italian Ministry of Foreign Affairs. Originating from the experience of the World Banking Women Association in Italy, the Foundation considers all women, also the ones in disadvantaged conditions, as a fundamental resource for sustainable and equal development of the society.

The Foundation is managed by a Board of directors and the Executive committee.

In September 2005, during the conference "Women and Microfinance, a new path for development in Mediterranean countries" it presented a study on the role of microcredit in women's empowerment in the Mediterranean area.

President: Paola Barbieri

General Secretary: Andrea Nardone

CDAs, Community Development Associations, are organizations that work at a grass roots level in the framework of the Egyptian law n. 84/2002 on the Associations. The law concentrates most of the decisional power on associations operating in Egypt in the hands of the Ministry of Insurance and Social Affairs. The Italian Cooperation thus, in collaboration with the Ministry, chose to cooperate with CDAs to implement its microcredit program.

Breeding is one of the sectors easily supported by microcredit .

PlaNet Finance is an international non-governmental organization (NGO) aims at alleviating poverty worldwide by developing microfinance. Its objectives are:

- Develop effective tools to develop microfinance worldwide
- Guarantee ethics and excellence in the development of all activities
- Become a self-sufficient organization by developing diversified and sustainable products

By providing financial access to the poorest populations, financial intermediaries, among which banks, cooperatives, Non-Governmental Organizations (NGOs) and Microfinance Institutions (MFIs) have been proving for thirty years that it is one of the most effective tools to fight poverty.

PlaNet Finance supports financial intermediaries and increases their growth by federating them and providing operational services which enable them to strengthen their technical capacities and financial resources. PlaNet Finance also works with the private sector (banks and financial institutions), governments and international organizations in order to increase microfinance sustainability.

PlaNet Finance, based in Paris (France), has developed operations in more than 60 countries and has established an international network of affiliated offices in Europe (United Kingdom, Italy, Spain, Belgium, Portugal), the United States of America, Latin America (Mexico, Brazil), Asia (India, China, Japan), Africa (Morocco, Senegal, Benin) and the United Arab Emirates (Dubai). PlaNet Finance supports the development of microfinance through a number of activities to strengthen the whole sector, governments and policy makers, or directly MFIs.

IT Synergy is a high tech consultancy based in the Middle East and Latin America. The company has been involved in PAP since early on, taking the lead in the technology development initiative and providing support in the areas of human resource assessment as well as providing techno-infrastructure support systems such as issue tracking tools. Post project delivery, IT Synergy has been engaged in the provision of support to the SLTS under its new ownership and has also engaged in capacity building for the technology recipients.

IT Synergy is, at its core, a technology consultancy with roots in a United Nations initiative. In the mid-1990's, the UNDP was involved in providing technological solutions for state modernization in several Latin American companies. After the project completion, this initiative resulted in the formation of IT Synergy, a company dedicated to technology research and technology-to-market matching. IT Synergy S.A. was incorporated in Peru in 1999, then in the United States in 2001 and, more recently, as an Egyptian company in 2004.

IT Synergy has partnered with many government and enterprise-class clients to implement ICT4D projects, predominantly based on open source for its beneficial technology transfer component. Apart from the PAP initiative with the Egyptian Ministry for Insurance and Social Affairs, IT Synergy is partnered with the Italian Cooperation and the UNDP to provide the Egyptian Ministry of Water Resources and Irrigation with a decision support system based on geographical information systems, in addition to developing geographical information systems as management and decision making aides for solid waste management with the same partners in the

Egyptian Gavernorate of Minia.

IT Synergy is involved in many other projects with a wide range of partners as listed on the company website at www.itsyn.com.

The technological component of PAP is called the **Social Loan Tracking System**, or SLTS for short. The SLTS was developed by IT Synergy in the full spirit and with the proper methodologies of open source, which has significant implications for the viability and sustainability of the project firstly from a technological perspective but, consequently and more importantly, for the entire initiative.

Open source is the name of a technology philosophy which is rapidly achieving prominence in the global information technology industry. Open source software is, at the most basic level, software which is provided along with the source code. Source code represents the instructions from which the computer creates the software which is actually run when the user invokes it; metaphorically, the source code can be likened to the recipe for the software. With open source software, the technology recipient not only receives the software systems but also receives the ability to assume technological sovereignty over said systems. Under the traditional non-open software paradigm, software was sold and the technology user was entirely dependent on the vendor for support, feature requests, upgrades, and training.

The SLTS is placed under the most common and effective open source software license, the General Public License (GPL). Both the client and the server component are open source and, in their capacity as support providers to the MISA, IT Synergy are making the systems available freely for reuse and modification.

With open source providing a technological infrastructure supporting PAP, the initiative achieves a level of sustainability which cannot be achieved using more technology philosophies.

Since the **Social Fund for Development** was established in 1991, it has played different roles in the development concern in Egypt.

Initially, it was designed as a social net associated with the government of Egypt to undertake the extensive Economic Reform and Structural Adjustment Program (ERASP). For this the Fund was considered essential to the actual success of the reform program.

The SFD has successfully developed into a full-fledged organization with a new development perspective: it consolidates mechanisms for a better understanding of the impact of globalization and mobilizes efforts to minimize risks of social exclusion; it helps alleviate poverty and fight unemployment. By doing so, it creates employment opportunities for start-up entrepreneurs and provides them with both Egyptian and international credit, technical assistance, skills, and technological know-how.

This man received a loan to buy seeds and improve its agricultural activity. He repaid the loan regularly and stated to be very satisfied with it.

From the left: Dr Antonio Loche, Gen Hassan Hemada, Ambassador Antonio Badini, Minister Ameena El-Guindi, Dr Fathi Sa'ad, Dr Antonio Vigilante, Dr Talaat Abdel Malek

From the left: Dr Mohamed Abdel Amid, Dr Mohamed Saleh, Mr Mounir Abd El Azim, Dr Nino Merola, Eng Guido Benevento, Dr Mahmoud Yousef.

6: Further information on the Grameen Foundation is available on the attached CD.

CD ROM

Proceedings and other seminar documents

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