



The Egyptian Association for Community Initiatives and Development **Eight Years of Lending in Upper Egypt**

The Egyptian Association for Community Initiatives and Development (EACID), a non-regulated financial institution in its eighth year of operation, is one of the larger non-bank organizations delivering financial services to unserved markets in Egypt. EACID was created in 1998 by Dr. Mamdouh Foad in Aswan (Upper Egypt) with support from the Canadian International Development Agency (CIDA). Seed capital from CIDA was used to develop the self-employment capacity of low-income women and to support them in the start up of women-led businesses through a project called the Women's Initiative Fund (WIF). EACID started off as a small-scale lending institution offering WIF microcredit products to a defined market—poor women entrepreneurs.

EACID Mission Statement

The mission of Egyptian Association for Community Initiatives and Development (EACID) is to provide low-income entrepreneurs access to financial and business development services.

As a result of the profitability of WIF services, EACID expanded financial services from Aswan branch offices to Doweika (Cairo). EACID has achieved self-sufficiency and has earned a profit as of 2001. In 2005, EACID offered the following financial products: Access to Financial Services, Women's Initiative Fund and Promoting and Protecting the Interests of Children who Work (PPIC Work). EACID only offers credit and cannot by law mobilize savings.

This case study presents the institution, its services and its performance over and an eight-year period. Particular attention will be given to its pioneering work in child friendly microfinance.

Figure 1 presents EACID's diverse credit services to clients in Egypt. EACID financial services have also been launched in Cairo as of May 2005.¹

¹ The National Council for Childhood and Motherhood contracted EACID to deliver financial services to their clients in the Doweika district of Cairo since May 2005.



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Figure 1: Description of EACID's Financial Services in 2005

Product Lines	Women Initiative Fund (WIF)	Access for Financial Services (AFS)	Promoting and Protecting the Interests of Children who work (PPIC-Work)
Methodology and Requirements	Low income women especially those who cannot access bank loans.	Low income people especially those who cannot access bank loans. This includes loans for taxi owners and they are required to submit taxi cards and business license as collateral.	Loans must be used to improve working conditions and learning opportunities for children.
Use of Loans	Working capital Fixed Assets Microcredit	Working capital Fixed Assets Environmental improvement Microcredit	Working capital Fixed Assets Microcredit Educational
Client Eligibility	Women clients	Strong credit history and/or viable business plan.	Businesses employing children Family-run businesses Young entrepreneurs Education loans—must be former EACID client

Outreach & Impact

Despite being smaller than many Egyptian microfinance organizations, EACID has grown significantly over the past eight years and is established as a profitable microfinance organization in Upper Egypt. EACID is testing and piloting financial services to hard-to-reach or marginalized markets. From 1998, EACID grew from 720 clients to reaching 2,946 clients with an outstanding gross loan portfolio of 5.8 Million LE in 2005. EACID is reaching a broad target market and the majority of their client households' fall well below the poverty line of a typical family earning less than US \$120 per month.² This increase will allow the institution to continue to meet the growing client base that now requires larger loan sizes.

² The exchange rate is 5.7 LE for \$1 USD in November 2005. This case study uses LE (Egyptian pound) as there were devaluation issues and to convert into USD may not properly reflect value of loan fund activities.



Financial Innovation & the PPIC-Work Project

As architect and front-runner of the Promoting and Protecting the Interests of Children who Work (PPIC Work) project³, EACID is providing financial services to business owners who employ children and also to family-run businesses to improve the working conditions and learning opportunities for children and youth. After years of working with WIF clients, EACID found that 50% of their clients had working children in their businesses.

Through microfinance, EACID found an opportunity to not only contribute to increasing the income of the micro-enterprises but to have a positive impact on the lives of children and youth who work in these businesses. Eligible clients of the PPIC Work loan and who employ children and youth adhere to the following guidelines: (1) Provide evidence of the employment of children either on a part-time or full-time basis; (2) Utilize the loan to improve technology and the work environment (mitigating hazards) and (3) Demonstrated interest in improving the learning opportunities and skills capacity of the younger workers.

Protecting and Promoting the Interests of Children Who Work (PPIC-Work)

PPIC-W is a three-level socio-economic development project that aims to i) improve the working conditions and learning opportunities of children who work at the enterprise/business level; ii) influence SME policy created by the Government of Egypt; and iii) to engage debate at the international level with donors, international organizations and interested parties. In all project activities, PPIC-W aims to empower its main stakeholders—children, families and business owners—by respecting and promoting child rights. PPIC-Work integrates a rights-based approach within a participatory framework, which gives children, families and business owners an active voice in the project.

In the third quarter of 2005, EACID was providing PPIC Work loans to 360 businesses, which has the potential to impact more than 700 working children and youth.

³ A 5-year CIDA funded project valued at CAD \$4.5M. PTE and MEDA are the Canadian based lead partners of this initiative.



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PPIC Work is EACID's newest loan product on offer. A recent efficiency analysis⁴ determined that the current disbursement of new PPIC Work loans takes approximately twice as long to process and costs 14% more than a similar WIF product. The financial costs are affordable relative to the social costs. In addition, EACID is building a younger client base, which can potentially attract long-term business.

A Child Street Vendor Turned Kiosk Owner

Zakareya Rekaby is a 14 year old boy who lives and works in Ezbet El Asker in Aswan. He was a street food vendor of prepared koshary (noodle dish). The *PPIC Work loan* from EACID has enabled his family to set up a kiosk and to buy in bulk at a cheaper unit price. As a result, Zakareya is not subject to harassment and bullying from older boys in the street. The loan permits him to sell in a safe environment and focus on his studies. The access to the loan has increased the family's household income, giving them more flexibility as well as the ability to pay the children's education fees.



Financial Performance

By 1999, EACID reached operational self-sufficiency. The year 2001 represented a turning point for EACID as it generated a profit and became financially viable. In the following year, EACID expanded its services and staff, and diversified its financial product lines due to the increased earnings. On average EACID's surplus revenue is 300,000 LE (US \$52,631) annually.

Revenue & Expenses

EACID has set flat interest rates in each product line ranging from 15% to 24% per annum.

There are no regulatory bodies in Egypt rating and overseeing non-bank institutions.

Associated costs of each loan product at EACID can be easily covered, as the operational and

⁴ A MEDA led efficiency analysis was carried out in May 2005 with EACID. MicroSave process mapping tools were applied to carry out the study over a one-week period at the 2 branch offices (Kima and Komombo).



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personnel expenses are low. Personnel expenses, the single largest driver of total expenses, have increased at EACID but seem to be below international standards. Loan loss issues have not been a problem for EACID as repayments rates are consistently above 98%.

Efficiency & Productivity

EACID has made significant gains in efficiency over the past eight years. At the start of 2005, operating expenses were less than 10% of its gross loan portfolio. The average cost per borrower is US \$40 in 2005. Trends toward disbursement of larger loan sizes and repeat clients have decreased the cost per borrower. EACID's efficiency is due to a large loan portfolio relative to assets. EACID's high level of efficiency is also due to committed and productive staff. By 2005 the ratio of credit agents to clients increased to 1:135. EACID's performance-based incentive scheme has shown positive results and high staff productivity and returns. Although staff salaries are low market rate, the productivity and commitment levels are extraordinarily high, and this is attributed to the current mentoring and incentive systems in place.⁵

Portfolio Quality

EACID has developed strong portfolio quality over the last eight years. Management has been fixated on timely repayments. Figure 2 reports that the PAR > 30 which was 8% at inception has dropped to 0.36% in 2005. In addition, the repayment rate for all of the products lines has not dipped below 98% since 2001. Within eight years of operation, client volume has grown more than 60% since inception to reach 2,946 low-income clients in 2005. The loan fund has doubled. In terms of efficiency, EACID attributes timely and full repayments to a thorough loan appraisal process (may take one week) and weekly monitoring of new loans. EACID also has had little competition in Upper Egypt, and the microfinance organizations that do exist are few, and seldom reach the same markets.

⁵ Operational expenses are below 10% of total loan portfolio as of September 2005.



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Figure 2: EACID Loan Portfolio from 1998 – 2005⁶

Indicator	1998	1999	2000	2001	2002	2003	2004	2005
Self-sufficiency ratio	65%	88%	100%	105%	108%	110%	120%	120%
PAR > 30 days	8%	5%	3%	2%	1.4%	0.6%	0.4%	0.36%
Amount of Total Loan portfolio (LE)	1.96 M	2 M	2.14 M	2.3 M	2.6 M	2.7 M	3 M	5.9 M
Repayment rate	85%	92%	97%	98%	99%	98.5%	98.7%	98%
Total Loans Outstanding (LE)	700 000	950 000	1.5 M	1.8 M	1.95 M	2.3 M	2.6 M	5.8 M
Number of clients	720	1200	1400	1600	1750	1800	1870	2946

Conclusion

EACID's results presents enormous potential for other non-bank organizations in Egypt and the Middle East to innovate in the financial services sector while meeting the bottom line. This non-bank MFI, headquartered in Aswan has demonstrated its capacity to offer quality financial services to niche markets including taxi drivers, women and working children and youth. During its eight years of operation, EACID's commitment to combining social and financial objectives has proven effective. EACID is also able to deliver strong non-financial programs such as information technology and female genital mutilation (FGM) education, awareness and eradication while maintaining and improving its financial performance. Its strengths – efficient operations, flexibility to innovate, productive human resources, skilled management and a consistently high portfolio quality – position it well to be a leader in financial innovation and to increase its service to more microfinance clients in years to come.

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⁶ From 1998 to 2001, EACID operated manually. By 2002, the El Mohassil loan tracking software (EQI) was fully operational.

