

Dakahlya Businessmen's Association for Community Development, Egypt

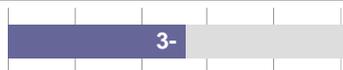
The Dakahlya Businessmen's Association for Community Development (DBACD) was founded as an NGO in March 1995 under the Ministry of Social Affairs. After signing a Cooperative Agreement with USAID in October 1997, DBACD disbursed its first individual loan in late 1998 and its first group loan in 2001. As of December 2009, DBACD had an outstanding portfolio of 131.7 M EGP (23.2 M USD), serving 104,175 clients in all the districts of the Dakahlya governorate, with a 49% proportion of individual loans and 51% of group loans. DBACD has the **vision** of a Dakahlya society free of poverty with individuals enjoying a better quality of life. Its **mission** is to provide financial and non financial services to low income families in a sustainable and good quality manner, and to contribute in improving their standard of living.

Social Performance Rating

March 2010

Overall, DBACD's Social Performance is rated **3-3**

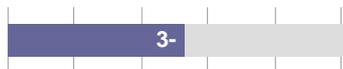
Social Performance Management	Financial Inclusion	Client Protection & Ethical Finance	Human Resources Policy	Social Change
3-	3-	3-	3+	**



Indicators	2009
Intent to have an impact	Convincing
Risk of mission drift	Low

Social performance management

- DBACD has a clear intent to achieve social impact but would benefit from refining its social mission. The latter remains nevertheless sufficiently shared by the main stakeholders and is taken into account in key decisions.
- DBACD still has to define social performance indicators to be monitored as such for an optimal decision-making. The institution nevertheless tracks basic client retention and outreach ratios and conducted some surveys and focus groups.



Indicators	2009
Population poverty in areas of op.	46.7%
% Female clients	56.3%
% Rural and semi-urban clients	72.9%
% Clients with social collaterals	50.7%
% Penetration of adults in Dakahlya	2.9%
Av. loan disbursed (USD)	264
% of GDP per capita	29.9%
% Retention (Schreiner formula)	78.6%
Effective Interest Rate	~32.4%
Group loans	~47.2%
Individual loans	~29.0%

Financial inclusion

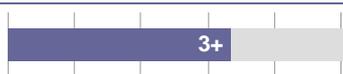
- DBACD serves clients mostly located in the Dakahlya governorate, where most individuals are deprived of access to formal financial services. The average poverty rate of districts where DBACD operates (46.7%) is close to the average in the governorate (~49%) and higher than the national average (40.5%), due to DBACD's outreach to rural and semi-urban areas.
- DBACD has satisfactorily adapted its lending services to address the clients' needs thanks to surveys and feedback from operations. The new MIS is expected to allow more adaptations. Constrained by legislation, DBACD cannot directly offer other financial services but plans to establish partnerships with licensed providers.
- With an average EIR of 32.4% and moderate transaction costs, the cost of services borne by DBACD's clients is reasonable.



Indicators	2009
% Loans checked / credit bureau	0%
% Loans checked / other MFIs	0%
Loan Instalment/ disp. income	n/a
% Clients w/creditlife coverage	0%
% Clients bearing FX risk	0%
Type of interest rate	Flat
% Clients visited by non-op staff	22%

Client protection & ethical finance

- Committed to client protection, DBACD has put some good procedures to ensure the privacy of client data and to foster ethical behavior within the organization. However, the institution ought to ensure that all repayment capacity analyses are properly done, to further prevent over-indebtedness, and refine delinquency management procedures, to mitigate risks of inappropriate collection practices. Formal mechanisms for redress of grievances are not yet in place but clients have sufficient opportunities to voice their concerns.
- Pricing information is not yet sufficiently clearly disclosed to clients, which is notably explained by the unfavorable legal framework for NGO MFIs. In such a context, loan conditions are generally shared verbally with clients in order to guarantee a minimum level of transparency.



Indicators	2009
% of women among staff	45%
% of women among management	25%
% staff who had over 2 external training days	8%
Yearly salary increase / inflation	2.2
Staff Turnover	15%
Traffic accidents per 100 LO	n/a

Human resources policy

- Thanks to a professional HR management, all employees benefit from fair and equal Human Resources practices. However, despite the on-going efforts to encourage gender equity within its staff, the access of women to management positions remains very limited.
- DBACD offers an attractive compensation policy, thanks to yearly adjustments, social benefits and opportunities for staff to develop their skills.
- Labor conditions are satisfactory thanks to procedures designed to ensure the security of employees handling cash and sufficient consideration of the staff concerns. However, given the difficulties to dismiss staff under permanent contract for NGOs, most of DBACD's employees are under limited term contracts ranging up to three years for well-performing staff.

Education, Health, Basic Services	*****
Gender Equality and Women Empowerment	*****
Fight vs. Unemployment	*****
Democracy & Human Rights	*****
End Poverty	*****
Environment Sustainability	*****

Social change

- Non-financial services, provided through DBACD's Information and Technology Center (ITC) are essentially focused on the development of language, IT, and Business Development skills. They have been satisfactorily adapted to the students' needs thanks to Focus Group Discussions, feedback from students and placement tests.
- However, the performance of the ITC ought to be more formally monitored to ensure its efficiency, quality and profitability.
- DBACD has been offering financial and non-financial services for several years, but the proportion of clients receiving both services is still very limited.

DBACD Profile

Financial Services

- ✓ Credit Services: 104,175 borrowers as of December 2009
 - Group lending (50.7%), Individual lending (49.3%)
 - Av. amount disbursed /loan: 271 USD (11% of GDP per capita)
 - Average Effective Interest Rate: 32.4%
- ✗ Savings Services: 0 savers
- ✗ Microinsurance Services: 0 insured clients
- ✗ Money Transfer Services: 0 users

Non Financial Services

	Awareness Raising	Training	Service
Business Development	✓	✓	✗
Education, Health and Basic Services	✓	✓	✓
Women Empowerment	✗	✗	✗
Democracy & Human Rights	✗	✗	✗
Environment	✗	✗	✗

Country Profile

Indicators	Egypt	MENA
Demography		
Urban population (%)	42.6%	55.1%
Health		
Life expectancy at birth	71.0	67.8
Mortality rate (<5) per 1,000 births	20.5	38.0
Education		
Adult literacy rate (%)	71.4%	71.8%
Combined school enrolment ratio (%)	76.4%	65.9%
Gender		
Parliament seats held by women (%)	3.7%	6.0%
Poverty lines		
Population below NPL	19.6%	n/a
Population below 2\$/day (%)	40.5%	n/a
Gini index	33.2	n/a
HDI		
Rank out of 177 countries	116	n/a
2000-2006 progress	0.051	n/a
Economy (2009)		
Economic growth (%) (f)	4.7%	n/a
Inflation (%)	16.2%	n/a

Source: UNDP 2008, COFACE for growth, and IMF for inflation.

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REF:ES/260310

Refer to the end of the report for the institutional presentation of DBACD, as well as the Microfinance Sector and Socio-economic Environment sections.

Social Performance Rating

■ Social performance management

Social performance management is rated **3-6**

Definition of the social mission

DBACD

Definition	In Progress
Year of latest update	2004
Intent to have a social impact	Convincing

DBACD has a clear intent to have a social impact but has not yet designed its entire impact pathway. Originally limited to the provision of non-financial services, the social mission of DBACD was later extended first to microfinance services (individual lending) in 1997 (when the institution signed a cooperative agreement with USAID) and then to group lending in order to reach lower income individuals. The social mission now covers the main facets of DBACD's social performance. However, it has not been updated since 2004 and therefore needs to take into account: 1) the potential evolution of the social challenges of the Dakahlyia governorate, 2) DBACD's plan to expand to new governorates, and 3) its current perception by all DBACD's stakeholders, especially since the BOD was recently renewed. Moreover, even though some broad social goals have been defined, they have not yet been translated into relevant social objectives and indicators.

Institutionalization of the social mission

DBACD

Social Mission and Decision-making	In Progress
Social Mission and Planning	In Progress
Investment in Social Performance Skills	In Progress
Risk of Mission Drift	Low

DBACD's key stakeholders broadly share a same vision and mission. BOD members are indeed successful businessmen willing to help their society through the provision of financial and non-financial services. The consistent provision of non-financial services on the long run will depend on 1) DBACD's ability to break even on its ITC activities, which was the case only in 2008 so far, and 2) on the actual allocation of resources to charity according

to the Zakat-based model¹: In 2009, the BOD decided that 3.7 M EGP (393 K USD²) shall be allocated to charity but only 20% of this amount has been granted away so far.³

The social mission has been taken into account in key decisions such as branch opening, diversification of the target clientele, development of new products, and recently, the slight decrease in pricing.⁴ However, these decisions were not taken based on detailed social performance information due to the limited social performance monitoring (refer to next section). Similarly, although the planning includes DBACD's social mission and goals, it lacks more detailed objectives and indicators with a clear identification of related challenges and constraints.

DBACD has made investments to strengthen its skills in terms of Social Performance Management (SPM) and client research, notably thanks to trainings provided by Sanabel and MicroSave. Market research tasks have been so far handled by operations managers who actively participated to client studies conducted by external providers (e.g. USAID) but are still building their skills in this domain. HR processes (e.g. recruitment, training, evaluation) and internal communication sufficiently ensure that staff are committed to social goals. The bonus system, based on portfolio and PAR, does not include social criteria yet.

DBACD

Social mission's inclusion in HR management	
Recruitment	In Progress
Trainings	In Progress
Appraisal	In Progress
Incentive Schemes	Intangible

Overall, the risk of mission drift is still limited. However, stronger social performance systems need to be put in place to ensure that future challenges (e.g. increase in competition and potential transformation) won't affect DBACD's adherence to its social mission.

Social performance monitoring

DBACD

Social Performance Indicators	
Existence	In Progress
Relevance	In Progress
Tracking	Incipient
Reliability	In Progress

¹ Zakat is one of the five Islamic pillars consisting in dedicating 2.5% of its wealth to the poor. For DBACD, the amount of Zakat equals 2.5% of the difference between current assets and current liabilities.

² 3.7 M EGP equals to 2.5% of DBACD's 2002-2009 current assets minus current liabilities.

³ In addition to Zakat, DBACD has granted 363,803 EGP (67 K USD) through its social solidarity fund to improve health conditions in the community (refer to the section on Social Change).

⁴ DBACD also recently endorsed the SMART Client Protection campaign.

DBACD has not yet designed a set of social performance indicators monitored as such. Its information system and clients surveys nevertheless provide some data that can be used for Social Performance Monitoring.

- The proportion of women has been easily monitored through the share of group clients in the total clientele;
- The exit rate has been monitored through the SEEP tool, though not at a detailed level (e.g. by branch and LO);
- Poverty rates calculations have been used to target low income people but still need to be refined, notably if DBACD wishes to report on these to its international partners;
- Client studies have been useful to adapt services but are mostly indicative (limited sample) and have not yet been used to design client satisfaction indicators.

DBACD has started to adapt its new MIS (Delta, to be soon rolled out) to capture more client-level indicators, notably to better track client retention and prepare for the use of tools such as the Progress out of Poverty Index (PPI). In this regard, Internal Audit ought to extend the scope of its checks to social performance indicators and reinforce its verifications on client protection.

▪ Financial inclusion

Financial inclusion is rated **3-6**

Outreach to the underserved

Context	Egypt	Dakahlia
Penetration of MF services (Dec. 2007) ^a		
% of households	~7.7%	~8.7%
% of adults below upper NPL	~6.7%	~6.3%
Population poverty	Egypt	DBACD areas
% < national poverty line (NPL) ^b	19.6%	n/a
% < upper NPL ^b	40.5%	*46.7%

Source: a. USAID 2008 Microfinance map; CAPMAS 2006 Census.

b. For population figures, www.dakahlia.org.eg; for poverty figures, World Bank 2007 update; the national poverty line was estimated at 3.90 EGP per day per capita in 2005, equivalent to 5.85 EGP (1.04 USD) at 2009 prices; the upper national poverty line was estimated at 5.08 EGP per day per capita in 2005, equivalent to 7.63 EGP (1.36 USD) at 2009 prices; * For DBACD, weighed average proportion of poor in DBACD's areas of operations.

Outreach indicators	Egypt	DBACD
% women ^b	48.9%	56.3%
% rural ^b	57.4%	72.9%
% clients providing social collaterals ^c	47.0%	50.7%
% clients with a savings bank account ^d	10.0%	10.1%

Sources: a. USAID 2008 Microfinance Programs Map; data as of Dec. 2007; b. for Egypt, CAPMAS 2006 Census; according to DBACD classification c. Estimation using the proportion of group loans clients; d. National Impact Survey of Microfinance in Egypt (2008) on 2,470 clients of the sector and FINCA Client Assessment Report July 2007 on 436 of DBACD's clients.

DBACD has not put in place yet strong targeting mechanisms to ensure that it reaches out to a particularly poor or excluded population in the Dakahlia governorate. However, the low penetration of microfinance services in Egypt, in addition to the characteristics of DBACD's clientele and service offering significantly contributes to increasing the likelihood that DBACD reaches out to a population excluded from financial services.

Indeed, DBACD serves clients located in the Dakahlia governorate, where a significant part of the population is deprived of access to formal financial services.

- With 19 active MFIs in Dakahlia (equal to the average number of MFIs active in other governorates), the penetration rate of microfinance services stood at a still low 8.7% (of households) as of Dec. 2007, slightly higher than the national average of 7.7%.⁵
- Based on a study conducted in July 2007 on DBACD's clientele, 10% had access to a formal savings account, which is comparable to existing benchmarks for microfinance clients in Egypt.

In terms of geographical targeting, DBACD has not expanded in priority to the poorest district in the governorate. DBACD nevertheless now covers most of the districts, with 72.9% of its clientele located in rural and semi-urban areas. However, the average poverty rate of districts where DBACD operates (46.7%) is a bit lower than the average in the governorate (~48.8%)⁶. On the other hand, given the higher prevalence of poverty in rural areas of Egypt, the rate is above the national average of 40.5%.

DBACD plans to refine its current individual targeting mechanisms since the latter do not allow yet a precise evaluation of the clientele poverty level. The assessment of the level of monthly income of the clients' household during the loan application has been useful in identifying the main sources of clients' income, but remains suboptimal to precisely measure their poverty level⁷ and has so far rarely been used to discriminate applicants. DBACD plans to use the Progress out of Poverty Index (PPI) of the Grameen Foundation, which will allow the institution to compare the poverty level of its clients with the national upper poverty line. With 56.3% of women in its clientele, DBACD nevertheless serves one of the main disadvantaged groups of Egypt. Moreover, 51% of its clientele benefit from group loans which characteristics (e.g. group

⁵ Refer to the Microfinance Sector section for more details.

⁶ CAPMAS, 2006.

⁷ In poverty assessments, consumption is usually preferred to income to measure the poverty level of households. Incomes might be understated, all sources of income might not be revealed (e.g. remittances from abroad, illegal activities) or identified (household own agricultural food production).

guarantee, limited amounts) are more attractive for low-income people.

DBACD	Egypt	Dakhlyya
Penetration of households	0.23%	2.91%

With 104,175 clients as of December 2009, covering 0.23% and 2.91% and of the adult population in Egypt and Dakahlyya respectively, DBACD has a satisfactory breadth of outreach. The institution is expected to remain the leader in Dakahlyya and one of the important MFIs in Egypt.

Adaptation of the services

DBACD	2008	2009
Client research related to		
New product development	In Progress	Convincing
Client satisfaction	Incipient	Incipient
Reasons for client exit	In Progress	In Progress
Frequency of client research	Yearly	Yearly
Av. amount disbursed (USD)	241	264
% of GDP per capita	11.1%	10.9%
% clients with a loan > 12 months	24.8%	29.9%
% group borrowers upgraded to individual loans	0.8%	2.3%
Retention rate (Schreiner)	79.8%	78.6%

Note: In case of clients' death, DBACD usually cancels the loan.

DBACD has satisfactorily adapted its lending services to address the clients' needs thanks to surveys and informal feedback from operations. The institution already implemented some changes such as the increase in loan durations (to 36 months) and amounts (to 10 K USD). As a result, with an average duration of 18 months for individual loans and 6 months for group loans, DBACD compares particularly well to its competitors. Loan amounts are satisfactory with most individual loans ranging between 300 and 1,200 USD. DBACD plans to address other requests voiced by group clients (e.g. size of groups, frequency of repayments) once the new MIS is rolled out. Specialized by methodologies and evaluated according to reasonable portfolio objectives, LOs are able to ensure that each client receives a loan adapted to its needs.

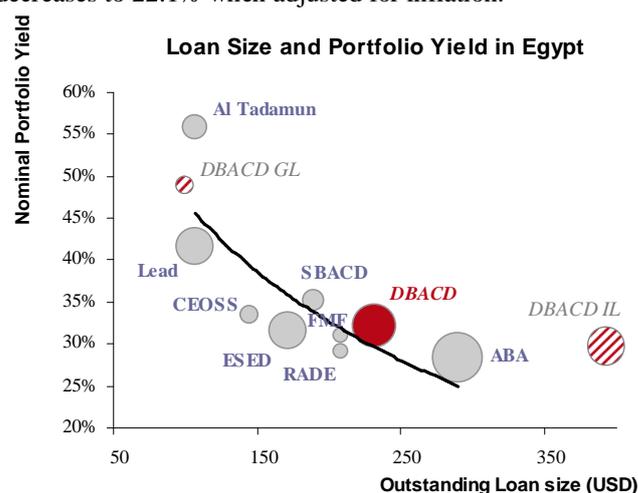
DBACD slightly reduced the scope of its lending services in 2007 when it stopped offering Consumer and Back-to-School loans. DBACD indeed considered that these two loan products, being non income generating, could be perceived as in contradiction with Islamic principles.

Constrained by legislation, DBACD cannot directly offer other financial services. It contemplates establishing partnerships with other financial service providers, notably the national postal authority for savings accounts and insurance companies.

DBACD received informal positive feedback from its clients but does not have any formal indicator to measure the satisfaction of its clientele (planned for 2010). The institution has used exit surveys to improve its services, but only on an occasional basis (in 2007 and 2008; planned for 2010). Client retention rates can nevertheless be used as proxies to measure client satisfaction. According to the Schreiner formula, client retention stood at 78.6% in 2009, close to the levels recorded during previous years, demonstrating a stable performance in client retention.

Cost of the services

With an average EIR of 32.4%, the financial cost of services borne by DBACD's clients is reasonable. The pricing of DBACD is indeed within market practices for both loan products. With an EIR of 48.2% and 29.0% for group and individual loans respectively, the pricing of DBACD's products is comparable to that of competitors⁸ offering similar loan products (Al Tadamun focusing on group lending, ABA on individual lending and Lead offering both – refer to graph). Moreover, DBACD's EIR decreases to 22.1% when adjusted for inflation.



Note: The size of circles is relative to the outstanding loan portfolio. For DBACD, two circles were added to make the difference between Individual Loans (IL) and Group Loans (GL). Source: Mix Market and Planet Rating data as of December 2008.

The transaction costs of services borne by DBACD's clients are moderate. The institution demonstrates a good proximity of services for group clients since financial transactions are performed close to their home. In addition, to help clients save time, DBACD do not require all group members to come to weekly repayments.⁹ Individual clients have to make repayments to the branch, but only monthly or through partner banks when more convenient for 2.5% of them. Moreover, DBACD has made significant efforts to lower the administrative costs borne by clients by helping

⁸ On the graph, portfolio yield is used as a proxy for EIR. DBACD's portfolio yield is very close to its EIR – refer to the GIRAFE rating.

⁹ On the other hand, LOs frequently visit clients during their monitoring.

them obtain a national identity card or register their businesses. A minority of clients have to comply with higher administrative requirements.¹⁰ On the other hand, DBACD demonstrate an average speed of disbursement as individual loans are only disbursed twice a month.

■ Client protection and Ethical finance

Client protection and Ethical finance is rated **ġ3-ġ**

Prevention of over-indebtedness

DBACD	2009
% loans checked with a credit bureau	0%
% loans checked with other loan providers	0%
Loan Installment / Disposable income	n/a
% borrowers with credit life insurance	0%
% borrowers bearing FX risk (USD)	0%

DBACD performs a satisfactory repayment capacity analysis of its clients but still needs to standardize it to better prevent their over-indebtedness. Indeed, income statement analyses are not systematically formalized for all individual loans, and DBACD has not formally defined a minimum level for the client's disposable income, leaving that to the appreciation of each LO. As a result, some installments may cover up to 50% of the client's disposable income (above the standard of 33%), especially for group loans and repeat clients. This is less true for individual loans over 8,000 EGP (1,428 USD) for which DBACD also require a legal clearance to attest that the client does not have other pending promissory notes. The efficiency of these systems will be increasingly challenged by the intensifying competition if MFIs are not able to use credit bureau information in the near future.¹¹

DBACD does not offer formal insurance plans but may reschedule or refinance loans in cases of natural disaster or client's disability.¹² In extreme cases, such as the client's death, DBACD cancels the loan only when the family or the group cannot repay.

Transparency of services

Context	
Adult literacy rate*	71.4%
% clients who can read and write **	85.4%
% literate household head in the clientele **	48.0%

Note: * UNDP 2008; ** Client Assessment Report made by FINCA for DBACD in July 2007;

¹⁰ At the end of 2009, 3.2% of the clientele have to provide tax card and commercial registration, 2.7% a non bankruptcy certificate and 0.5% a checking account.

¹¹ Refer to the section on the Microfinance Sector.

¹² Rescheduled loans covered 0.04% of the portfolio as of Dec. 2009.

DBACD

EIR disclosure to clients	No
Type of interest rate	Flat
Upfront disbursement fee	***No

Note: ***except for vehicle maintenance loans (3.5% of the clientele).

Pricing information is not yet sufficiently clearly disclosed to clients. This is notably explained by the unfavorable legal framework for NGO MFIs: the Egyptian Civil Code indeed includes a 7% interest rate cap on civil and commercial transactions, except for banks. While regulators have so far tolerated the higher rates charged by MFIs, it remains unclear how MFIs could get a favorable judgment from the courts in case of legal proceeding. To mitigate the legal risk, DBACD does not state information related to interests (rates and amounts) and commissions on its contracts and loan repayment schedule. Similarly to other Egyptian MFIs, DBACD only communicates on the nominal interest rates and charges this interest on a flat basis. Efforts have to be made on a sector-wide level to increase transparency on the cost of the loan.

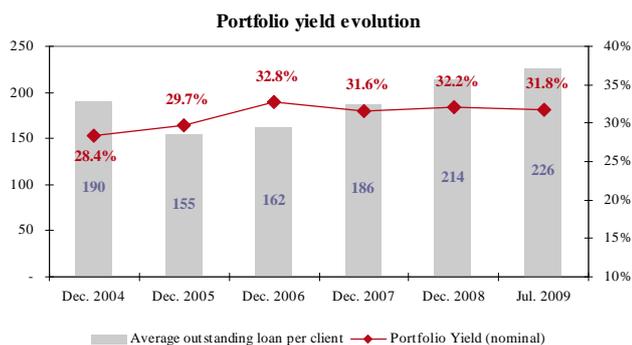
In order to guarantee a minimum level of transparency to its clientele, loan conditions (amount, duration, interest rates and installment amount) are generally shared verbally with clients before the loan disbursement and when signing the contract. Upon reimbursements, receipts are handed out to clients and promissory notes are either given back to clients or discarded six months later if not required by them.

Responsible pricing

Context	2008	2009
Inflation	16.2%	8.5%
DBACD		
EIR	32.2%	32.4%
Portfolio yield (nominal)	32.2%	31.8%
Operating expense ratio	10.9%	10.2%
Funding expense ratio	5.6%	7.3%
Loan loss provision expense ratio	1.0%	1.1%
ROA	12.9%	12.6%

Even though interest rates have remained unchanged over the years¹³ in spite of an increase in the average loan size, DBACD has practiced a responsible pricing. DBACD has indeed been successful in optimizing its cost structure, which resulted in higher profits that have been either used to grow the loan portfolio, or to a limited extent to finance social projects. But although DBACD needed to use retained earnings to grow its loan portfolio in a context of a lengthy access to commercial funding, it has not yet designed a formal policy to guard against excessive profit-taking.

¹³ Annual interest rates were decreased from 16% to 15% only for loans over 40,000 EGP (7,140 USD), disbursed to 17 clients as of Dec.2009.



DBACD has designed its pricing by loan products according to their cost. The Individual Loan (IL), granted mostly to men has an EIR of 34.2% while the Group Loan (GL), granted only to women has an EIR of 47.2%. IL remains nevertheless more profitable than GL given their larger size and lower intermediation cost. A minority of women have access to IL when able to provide the required guarantees. Finally, clients do not have to pay fees or commissions (undisclosed during the signature of the contract) when using the services of DBACD’s partner banks for loan reimbursements.

Appropriate collection practices

DBACD	
Procedure for appropriate practices	In Progress
Formally included in the scope of Internal Audit	In Progress

DBACD has not yet put optimal systems in place to mitigate risks of inappropriate collection practices that could develop in case of future credit risk increase. Recovery procedures are well formalized but still lack detailed guidance (e.g. definition of unacceptable recovery procedures). However, delinquency management is performed in favor of compromises: it starts with a visit to the client, is followed by a warning letter if needed, and ends with a legal proceeding. In that case, legal steps are professionally taken according to conditions set by the courts.¹⁴

The incentive system for LOs has been designed based on realistic portfolio quality targets. Including reasonable ceilings for the maximum incentive (e.g. PAR 30 < 1.5%), the system does not encourage field staff to maximize their portfolio quality at all costs (e.g. inappropriate collection practices). In addition, supervisors in the branch and head office departments (e.g. legal and IA) provide an adequate monitoring.

¹⁴ Court fees (around 200 EGP i.e. 37 USD) are usually paid by clients.

Ethical staff behavior

DBACD	
Code of Conduct signed by field staff	Yes
Training on the Code of Conduct	In Progress
Incentive Scheme fostering ethical behavior	*Incipient
Anti-Fraud & Corruption Policies in place	Yes

Note: * The bonus system does not include criteria related to ethical behavior but sanctions may be taken.

DBACD’s organizational culture strongly promotes ethical behavior within the organization through good HR policies and supervision. The HR department has recently released a new employee handbook that outlines key rules related to relationships with coworkers and clients. The handbook was received and signed by all employees. In addition, staff must wear their badge while on duty so that clients recognize them.

Some cases of policy violation have been occasionally reported by supervisors or the internal audit department, and appropriate sanctions were taken when needed. The transparent and friendly atmosphere within the association mitigates the lack of whistleblower policy.

Mechanisms for redress of grievances

DBACD	2008	2009
Formal complaint mechanism in place	No	No
% clients visited by non-operations staff	24.5%	21.8%

Clients have sufficient opportunities to voice their concerns: they may have access to more than one staff member thanks to sufficient supervision on the field and the segregation of duties in the management of clients (LOs Supervisors, LOs, and cash collectors). In addition, 21.9% of them were visited by non-operations staff in 2009 (by IA and client research teams). Even though IA performs some checks related to client protection, it still lacks a detailed knowledge of all the client protection principles.

However, formal mechanisms for redress of grievances have not yet been put in place. A phone number is stated on the client’s documentation but is not communicated as a hotline. In case of customer complaints, DBACD has taken appropriate steps to investigate through its operation and legal departments, and sanctions have been taken.

Privacy of client data

DBACD	
Institutional policy on privacy of client data	Convincing
Formal client agreements prior to sharing private data with third parties	In Progress

DBACD has put in place the appropriate systems to ensure the privacy of client data. Employees are trained not to

disclose client information to any third party and commit to it when signing their handbook. In case DBACD would have to share information with other MFIs to prevent client over-indebtedness, a clause stating that the institution may share client information with third parties was included in its loan contract.

The MIS used by DBACD provides sufficient data security. Access to client documents is restricted (locked rooms and/or safes) and back ups are stored safely. Data transit is also secured thanks to sufficient infrastructure (e.g. VPN, firewalls, etc.).

Ethical finance

Context

National AML/CFT law for microfinance	No
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DBACD

The MFI has systems in place to	
Know its Clients	In Progress
Know its Staff and BoD members	In Progress
Know its Funders	Incipient
Track Suspicious Transactions	*n/a

Note: * DBACD does not have activities exposed to the risk of money laundering (e.g. deposits, transfers).

DBACD has put satisfactory systems to avoid participating to unethical finance.

- DBACD performs satisfactory customer due diligence. The association requires copies of IDs with additional information related to their activity and monitors the use of the loan. Even though a portion of the loan may be used for consumption purposes, an illegal use would be detected through the frequent monitoring visits done by LOs and the IA department. However, DBACD has not designed a list of activities that it would not finance because of their negative social or environmental impact.
- DBACD funding is coming from well-known banks and investors. However, it has not put in place internal mechanisms to screen the origins of its funding.¹⁵
- DBACD checks that the amounts allocated to charity (refer to Social Change) are actually used for the grant purpose.
- Staff criminal records are checked upon recruitment. These checks are however not performed for members of the DBACD's General Assembly, who are known to have a good reputation in Dakahlyia.
- Given the nature of DBACD's financial transactions, its MIS does not need to be currently adapted to track suspicious transactions (e.g. money transfers, foreign exchange operations or deposits) that could be related to money laundering.

¹⁵ The Ministry of Social Solidarity nevertheless provides a security clearance for all new funds.

Human resources policy

Human Resources policy is rated Ę3+Ě

Equal rights

DBACD	2008	2009
% of women among professional staff	46.3%	45.3%
% of women among management	25.0%	25.0%
% of staff with disabilities*	0.0%	0.0%
% of staff who received >2 ext. training days	22.6%	8.2%
# External training day per staff	1.1	0.3
Management staff (top management)	13.3	5.8
Branch management	5.1	13.0
Credit officers	0.8	0.0
Administrative staff	0.8	0.1

Note: * In Egypt, the labor law encourages businesses to have 5% of handicapped staff.

Thanks to a professional HR management, all employees benefit from fair and equal HR practices in term of recruitment, remuneration (formal salary grid), training, promotion (career paths) and evaluations. Top and branch managers benefit from more external training than LOs and administrative staff (refer to table), since the latter benefit from sufficient internal trainings to undertake their duties. In addition, DBACD ensures that all staff have access to medical and life insurance at a reasonable cost.¹⁶

DBACD has made efforts to encourage gender equity within its staff (45.3% are women). The access of women to management positions remains nevertheless limited as they cover only 25% and 0% of top and branch management respectively. In order to allow the promotion of female LOs (i.e. all GLOs) to branch management positions, DBACD recently decided to recruit GLOs with stronger academic background.

Compensation policy

DBACD	2008	2009
Yearly salary increase / inflation	0.2	2.2
Yearly LO salary increase / inflation	0.1	1.0
Health insurance expense / staff expense	2.5%	2.1%

DBACD's compensation policy is attractive compared to most of its competitors. Employees receive adequate salary, sound incentives upon good performance and an additional bonus depending on the organization's annual performance. In addition, DBACD adjusts the level of salary according to inflation. In 2009, the yearly salary increase was 2.2x the inflation rate, catching up for the insufficient increase in the past and reflecting the adjustment made in mid-2008. In

¹⁶ DBACD covers the cost of the insurance from 50% up to 75% for employees with the lowest salaries.

In addition, employees benefit from adequate health and life insurance, a pension plan, and staff loans at advantageous interest rates.

Employees may develop their employability through trainings received internally (at DBACD’s ITC) or externally (e.g. Sanabel, Harvard University, etc.) on leadership, management, financial analysis and Excel. Specific training may also be provided according to the employee’s interest (e.g. information technology and English). Available for all but only partially covered by DBACD, this opportunity has mostly been used by senior management.

Labor conditions

DBACD	2008	2009
Staff turnover (all staff)	14.2%	15.4%
Traffic accidents per loan officers	n/a	n/a

Overall, DBACD’s employees benefit from adequate labor conditions. Procedures sufficiently ensure the security of employees handling cash who are also fully covered by insurance in case of proven theft. The employee handbook states basic health and safety rules but related procedures still need to be further developed.

However, DBACD’s employees are under limited term contracts (three years maximum, renewable). Given the difficulties to dismiss staff under permanent contract (even underperforming) for NGOs, DBACD chose to grant limited term contracts ranging from one to three years. DBACD has been renewing most contracts to progressively provide all well-performing employees with a 3-year contract.

In spite of the absence of formal staff representative, DBACD has put in place some systems to take into account staff concerns. In 2007, staff provided their feedback on the medical package through a formal survey, which resulted in modifications to allow faster repayment of medical expenses. In addition, the open door policy and the proximity of the operations manager with field staff significantly contribute to the consideration of staff concerns.

Social change

Social Change is rated **3*****

According to Planet Rating’s social rating scale, the rating of the ‘Social change’ domain is given according to the MFI’s focus among the related sub-factors. Through its activities, DBACD mostly focuses on the factor social goal of ‘Education, health, and basic services’.

Management of non-financial services

Consistent with DBACD’s mission, non-financial services have been developed throughout the years with the aim to improve economic and social conditions of individuals in Dakahlyia. These services essentially focus on the development of language, IT, and Business Development skills. The design and implementation include the appropriate steps to build services adapted to the needs of the clients. These services were first introduced based on an informal knowledge of IT needs in the governorate and were refined based on Focus Group Discussions and feedback from an external evaluator (DAI). DBACD also get the feedback from students who fill in forms to share their remarks. Moreover, courses take into account the level of education and proficiency of students, thanks to placement tests and interviews. Finally, they are provided by teachers selected through a careful recruitment process. In 2007, DBACD ITC center obtained the permit to provide Test of English as a Foreign Language (TOFEL) certificates.

However, the performance of these non-financial services is not sufficiently monitored. They notably lack indicators to measure 1) the level of effort, 2) the rate of success, and 3) the level of efficiency, which is critical for a service that is expected to break even.

Although DBACD has been offering financial and non-financial services for several years, the proportion of clients receiving integrated services is still very limited. Only 200 clients benefiting from microfinance services received training on business management.

Education, health, and basic services **3*****

Through its Information and Technology Center, DBACD has provided a growing number of language and computer courses, even though language courses have seen a slight decrease in 2009 due to the increased competition. The number of certificates delivered to students, still low for language courses has nevertheless increased in 2009, to 52% and 88% for language and computer courses students respectively. In terms of quality, the attention provided to each beneficiary is sufficient, as the average number of beneficiary per session stabilizes around 8 for both trainings, which is within the observed norms (the

international average in the G-8 countries is between 11 and 22 students per session¹⁷).

Since 1999, DBACD has allocated 1.1 M EGP (206 K USD) to charity (either through its social solidarity fund or according to Zakat), mostly to help the disabled. The latest and most important donation was made in May 2010 for the construction of a hospital floor in El Mansoura.

DBACD	2008	2009
Beneficiaries		
Microcredit	93,533	104,175
Information and Technology Center	1,320	1,209
Language Courses	678	461
Computer Courses	627	748
Training of trainers	15	15
Services *	n/a	n/a
Language Courses		
Number of beneficiaries	678	461
% Evolution	n/a	(32.0%)
Number of sessions	87	60
% Evolution	n/a	(31.0%)
Volume hours * beneficiaries	n/a	n/a
Number of trainers	n/a	7
Number of completed courses	678	461
Number of evaluation forms	~400	~300
Number of certificates	289	241
Income (USD)	33,887	23,288
Cost	n/a	n/a
Beneficiaries / trainer	n/a	66
Beneficiaries / session	7.8	7.7
Certificates / Completed courses	43%	52%
Average income / beneficiary (USD)	50	51
Computer Courses		
Number of beneficiaries	627	748
% Evolution	n/a	19.3%
Number of sessions	76	85
% Evolution	n/a	11.8%
Volume hours * beneficiaries	n/a	n/a
Number of trainers	n/a	8
Number of completed courses	627	748
Number of evaluation forms	600	700
Number of certificates	417	661
Income (USD)	24,145	28,179
Cost	n/a	n/a
Beneficiaries / trainer	n/a	94
Beneficiaries / session	8.3	8.8
Certificates / Completed courses	67%	88%
Average income / beneficiary (USD)	39	38

Note: * refer to the institutional presentation for details.

Gender equality and empowerment * * * * *

DBACD targets women through its Group Loan product but has not provided yet specific services related to women empowerment. DBACD has not had any study conducted on women empowerment since 2000.

¹⁷ The National Center for Education Statistics (in the U.S. Department of Education) has found that students are more successful in smaller classes given that the professor can dedicate more time to each student.

Democracy and human rights * * * * *

DBACD does not provide any services related to Democracy and Human Rights.

Job creation * * * * *

Despite its objective to create jobs through microfinance services, DBACD has not yet put systems in place to accurately measure job creation.¹⁸ ILO conducted in 2008 a study on the impact of the access to DBACD loans on the formalization of MSEs, but failed to produce relevant results on that front. DBACD therefore plans to capture more data on the formalization of its clients' business in its new MIS. The latter could also potentially capture data related to job creation.

End poverty * * * * *

Although DBACD had studies conducted on the poverty level of its clients, the latter have not yet proved the impact of DBACD's services on its clientele. These studies notably lack of longitudinal measures and control groups.

Environmental sustainability * * * * *

DBACD plans to participate to a project with the European Commission and PlaNet Finance¹⁹ to support the development of financial models promoting renewable energy and reinforcing energy efficiency in Egypt. DBACD's stewardship culture contributes to using energy efficiently.

Institutional Presentation

Social mission

DBACD has the **vision** of a Dakahlyia society free of poverty with individuals enjoying a better quality of life. Its **mission** is to provide financial and non financial services to low income families in a sustainable and good quality manner, and to contribute in improving their standard of living. DBACD's **values** are the following: respect, commitment, integrity, stewardship, professionalism, credibility, transparency, and unique performance. Its **slogan** is "together for a better quality of life."

¹⁸ The indicator used by the Ministry of Social Solidarity is that 10,000 EGP invested in the economy can create one job. No study was conducted to assess the relevance of this indicator for microfinance. Using this indicator, DBACD would have created/sustained 23,209 jobs in 2009.

¹⁹ **Disclosure statement:** PlaNet Finance and Planet Rating are two distinct legal entities, operating in a strictly independent manner. Planet Rating does not disclose to PlaNet Finance any information that is not publicly available to all other investors or fund providers. Planet Rating's internal Rating Committee is fully independent, private, and confidential.

Characteristics of outreach

Given that no indicator is available on the poverty severity in DBACD's clientele, a combination of general statistical data and general characteristics of DBACD's clientele can be used to make very rough assumptions. However, it cannot be used to compare DBACD's depth of outreach with that of another institution.

- 72.9% of DBACD's clientele is located in rural and semi-urban areas. Rural areas account for 57.4% of the Egyptian population but 78% of the poor and 80% of the extreme poor.
- 56.3% of DBACD's clients are women. As in many countries, the main disadvantaged groups include women, youth, and people located in rural areas. Women face particular barriers concerning literacy, assets ownership, access and participation in the growth process.

District	% Poor	# Clients	% total
Met Salsel	69.8%	1,717	1.6%
Sinbelaween	60.5%	11,270	10.8%
Elmatarya	58.6%	3,912	3.8%
Sherbeen	53.5%	7,492	7.2%
Dekernes	52.7%	5,746	5.5%
Aga	52.5%	7,019	6.7%
Mansoura*	51.9%	13,381	12.8%
Belkas , Gamassa	50.0%	6,778	6.5%
Menyt Elnasr	49.4%	6,569	6.3%
Elmanzala	47.9%	11,115	10.7%
Nabaroh, Talkha	47.8%	5,403	5.2%
Temai Elamded	44.9%	3,208	3.1%
Bany Abed	27.2%	1,752	1.7%
Met ghamr	16.9%	12,681	12.2%
Gamaliya	16.9%	2,762	2.7%
Others	n/a	3,370	3.2%
DBACD (weighed average)	46.7%	104,175	100.0%
Egypt	40.5%	-	-

Source: CAPMAS 2006 (% adults below the upper national poverty line);

Note: * Mahalet Demna, Samanod, Mansoura, East and West Mansoura.

Penetration of the services

DBACD's operations cover the whole Dakahlya governorate, located in the Lower Egypt region.



Note: DBACD's areas of operations are highlighted in red.

District	Penetration	Clients	Adults (e)
Elmanzala	6.0%	11,115	185,787
Gamaliya	4.4%	2,762	63,148
Menyt Elnasr	3.9%	6,569	169,255
Met Salsel	3.8%	1,717	45,055
Elmatarya	3.8%	3,912	103,627
Sinbelaween	3.6%	11,270	310,638
Temai Elamded	3.2%	3,208	101,311
Sherbeen	3.1%	7,492	243,079
Dekernes	2.8%	5,746	206,135
Met ghamr	2.8%	12,681	456,413
Aga	2.4%	7,019	292,037
Bany Abed	2.3%	1,752	74,699
Belkas - Gamassa	2.1%	6,778	315,495
Mansoura*	2.1%	13,381	639,075
Nabaroh, Talkha	1.5%	5,403	371,562
Others	n/a	3,370	n/a
DBACD	2.9%	104,175	3,577,315

Source: CAPMAS 2006; Dakahlya governorate statistics; (e) estimation

Financial products and services

DBACD offers Group and Individual loan products, using two distinct methodologies.²⁰ Their average Effective Interest Rate (EIR) stands at 32.4%.

- Individual Loans (IL) cover 83.1% of the outstanding portfolio and 49.3% of borrowers (Dec. 2009). They range from 500 to 60,000 EGP (89 to 10,713 USD) and average 2,130 EGP (380 USD). The average amount depends on the purpose, averaging 1,906 EGP for working capital, 3,684 EGP for home improvements and 4,819 EGP for vehicle maintenance. IL are repaid monthly with terms ranging from 6 to 36 months. Clients have to provide as collaterals guarantors plus a promissory note. Additional criteria according to the loan amount include an electricity bill, a business license, a commercial registration, and an income taxation card. Clients pay a 16% flat interest rate (plus a 1% fee for vehicle maintenance loans), yielding an average EIR of 29.2%.
- Group loans (GL) cover 16.9% of the outstanding portfolio and 50.7% of borrowers (Dec. 2009). Used to finance working capital needs, GL range from 50 up to 1,500 EGP (9 to 268 USD), and average 421 EGP (75 USD) at disbursement. They are repaid weekly over 10 to 40 weeks. Group solidarity is used as collateral. Clients pay a 26% flat interest rate, yielding an average EIR of 48.2%.

Non financial services and partnerships

Information Technology Center (ITC): established in June 2001, it aims at improving the governorate's businesses access to modern information techniques and systems through English, IT, and Business Development courses. The ITC provides other services such as a Business Information Centre (including a library, a conference lounge, as well as cyber and scanning services), accredited

²⁰ DBACD stopped Back-to-school and Consumption Loans in 2007.

translation, and equipment rentals. The ITC has a dedicated Manager reporting straight to ED. It was profitable only in 2008.

Social services: DBACD started providing social services in 2002. These services are funded by the microfinance activities according to the Zakat-based model.

Microfinance sector

Microfinance started in Egypt about twenty years ago with the establishment of the National Bank of Development (NBA) and the Alexandria Business Association (ABA) supported by USAID. Since then, the sector has evolved, through the establishment of various specialized NGO-MFIs (71% of the sector's clientele), four banks, and more recently, of Microfinance Service Companies (MSCs).²¹ The penetration rate of microfinance in Egypt is still low (6.7%)²². However, if growth rates are maintained, the market could show signs of saturation in about 3 to 5 years if MFIs do not have the opportunity to widen the range of their financial services. As of December 2009, there were about 400 microfinance programs serving about 1.4 M active clients for an estimated total outstanding loan portfolio of 2.1 B EGP (385 M USD).

In a country where most of the population is excluded from traditional financial services, Microfinance providers are deemed to target the poor and the excluded through group and individual lending offered to men (44%) and women (56%) with an outstanding average loan size estimated at 211 USD for NGOs and 528 USD for banks.²³ It should be noted however that a small portion of the microfinance clientele also have access to formal or informal savings services.²⁴

Mostly limited individual loans for MSEs, group loans, and basic credit-life insurance products, the range of microfinance services remains quite narrow. Some MFIs have also initiated partnerships with insurance companies to provide life and disability insurance and introduced consumption, housing and education loans. Agricultural and Islamic lending are still very limited. NGO-MFIs are not yet allowed to offer services such as health insurance, pension fund, consumption loan and savings or to act as

²¹ Refer to the Microfinance Sector of the GIRAFE rating for details.

²² # Microfinance clients / # Adults living below the upper national poverty line.

²³ Data as of 2008 and 2009 for NGOs and 2007 for banks.

²⁴ According to the National Impact Survey of Microfinance in Egypt conducted by PlaNet Finance in 2008 on a sample of 2,458 clients, 8%, 10% and 12% of interviewees stated that they saved at the post office, at the bank or in a ROSCA respectively. In addition, 38% of them declared that microfinance was their primary source of funding and 72% used loans for business purposes (11% to start a business).

agents for banks, the National Postal Authority or Money Transfer companies.

MFI	Date of data	Portfolio (M USD)	%	Clients	%
ASBA	Dec.09	67,238,820	32.0%	253,328	25.4%
Lead	Dec.09	22,116,203	10.5%	172,691	17.3%
ABA	Dec.09	38,371,288	18.2%	134,701	13.5%
ESED	Dec.09	23,183,986	11.0%	104,957	10.5%
DBACD	Dec.09	24,160,508	11.5%	104,175	10.4%
Al Tadamun	Dec.09	10,768,950	5.1%	90,714	9.1%
CEOSS	Dec.09	7,113,693	3.4%	38,873	3.9%
SBACD	Dec.08	5,531,387	2.6%	29,196	2.9%
FMF	Dec.08	3,703,118	1.8%	17,818	1.8%
Other NGOs*	Dec.08	8,165,639	3.9%	51,186	5.1%
Total NGOs	2008-09	210,353,592	100%	997,639	100%
Banque du Caire	Sep. 09	60,908,490	63.0%	99,000	54.1%
NBD	Dec. 07	12,977,930	13.4%	34,550	18.9%
Banque Misr	Dec. 07	13,251,990	13.7%	29,376	16.0%
Bank of Alexandria	Dec. 07	9,582,578	9.9%	20,227	11.0%
Total Banks	2007-09	96,720,988	100%	183,153	100%
Reefy	Dec. 09	12,564,853		27,667	
Tanmeya	Dec. 09	10,640,640		16,609	
Others*	2009	54,349,851		182,722	
Grand Total (e)		384,629,924		1,407,790	

Sources: Planet Rating, MFI, MiX/ Sanabel, USAID's 2008 Map; ** Microfinance in Egypt Brief Overview of Current Status (EFSA) (e) This estimation is a minimum given that most data is outdated; * Others includes other small MFIs listed on USAID's 2008 Map.

The CBE developed a National Strategy for Microfinance with the assistance of USAID, UNDP and KfW. Launched in December 2005, it has been partially implemented by the SFD and resulted in the following initiatives: 1) the creation of the Egyptian Microfinance Network (EMN) comprised of 12 NGO-MFIs; 2) the establishment of credit guarantee mechanisms to facilitate access of NGO-MFIs to local commercial funding and; 3) the development in 2008 of a draft law with the support of USAID and CGAP, authorizing the setup of for-profit lending institutions regulated by the Egyptian Financial Services Authority (EFSA).²⁵

Under the draft law and according to rules set by the Consumer Protection Law,²⁶ Microfinance providers are required to disclose the true cost of their services, adopt a system that deals with client complaints, avoid client over-indebtedness and preserve client privacy. However, the Consumer Protection Authority has so far not conducted on-site inspections of microfinance providers.

- The transparency of services of Egyptian MFIs, hampered by the current legislation, needs to be improved. Egyptian MFIs charge the interests on a flat basis and communicate only on their nominal value. Efforts are needed on a sector-wide level to increase

²⁵ Refer to the GIRAFE rating of DBACD for complementary information on the Microfinance sector in Egypt (regulatory framework, key players, access to funding).

²⁶ The 2006 Consumer Protection Law prohibits financial services providers (among others) from giving any false or misleading information on the nature of their products and services.

transparency on the cost of the loan. Besides, due to the legal constraint imposed by the interest rate cap of 7% under the Civil Code,²⁷ some NGO-MFIs prefer not to provide their clients with documents stating the interest rate (e.g. loan agreement or contract). Providing such documents may constitute a legal risk for NGO-MFIs since clients could challenge them in courts. On a more positive note, the study conducted on Consumer Protection in September 2008²⁸ reported a satisfactory level of financial awareness of microfinance clients in general.

- In terms of pricing, most NGOs charge annual interest rates higher than 7%, which is tolerated by the regulatory authorities and within rates usually charged for microfinance services. Rates reportedly range from 24% to 28% flat for group loans and from 13.5% to 18% flat for individual loans, in addition to commissions when applicable.
- Initiatives have been taken at the industry level to prevent the rise of cross-indebtedness but have not yet yielded concrete results. Commissioned by EMFN and funded by SFD, PlaNet Finance conducted a legal assessment for the establishment of an information sharing system (ISS) that could exchange information with I-Score.²⁹ Large NGO-MFIs are also in discussion with I-Score to have a direct access to the credit bureau at an affordable price.³⁰
- The draft law includes strict client privacy protections, including the obligation for MFIs to have the client's written consent before sharing information with third parties and the right for the client to contest the accuracy of data.
- The 2008 Consumer Protection Study also reported that specific mechanisms for redress of grievances have not yet been put in place in MFIs but that clients are aware that they may complain to their branch manager in case of misbehavior from LOs.

Additional source: ĒThe Legal and Regulatory Environment for Microfinance in Egypt; USAID; June 2009.

Socio-economic environment

Egypt's economy slowed down in 2008/09. The gross domestic product (GDP) growth rate reached 4.7%. The deceleration of growth was a result of the global crisis. Domestic final consumption proved resilient and increased public investments offset the decline in private investments

²⁷ Banks are the only entities exempted from this usury rule.

²⁸ Study conducted by Chemonics International for USAID.

²⁹ I-Score (the first private sector credit bureau) was established by 25 banks and SFD in 2005. However, only two banks (NBD and BdC) report information on their microcredit operations.

³⁰ The proposed price (1 USD per query) is considered high given the size of their transactions.

to some extent. The key driving sectors in the economy were extractive industries, information and communications technology (ICT), construction and wholesale and retail trade. However, all sectors with international linkages were negatively affected by the global crisis especially tourism, the Suez Canal, and workers' remittances. Foreign direct investment (FDI) dropped by around 38.7% in 2008/09. [í] As the impact of global economic crisis starts to subside and the world economic outlook brightens, the Egyptian economy is expected to grow at higher rates, 5.4% in 2009/10 and 6.1% in 2010/11. The balance of payments deficit is expected to decline. However, Egypt faces many challenges: lower savings and investments, lower FDI, rising unemployment; and needs to reduce poverty and inequality (more than two fifths of the population are close to the poverty line), as well as to improve health and education; all that in the context of an unpredictable political environment in the face of upcoming parliamentary and presidential elections.

[í] Egypt has already achieved the Millennium Development Goal (MDG) of halving the proportion of the population living in extreme poverty but regional disparities remain a key challenge. The percentage of Egyptians living below the national poverty line increased from 19.6% in 2005 to 21.6% in 2009. The percentage of population under the poverty line is highest in rural areas at 28.9%. It is higher in rural Upper Egypt where the poorest 100 villages are all located. Gini coefficient decreased from 31.2% in 2005 to 30% in 2009, indicating a slight improvement in income distribution.

The government's five-year plan (2007-12) aims to reduce poverty to 15% by 2011/12 and to narrow the disparities between Lower and Upper Egypt and between rural and urban areas. To this end, a "poverty map" has recently been drawn to determine the most vulnerable areas and groups. Based on this map, two innovative programmes have been adopted to direct resources to those villages and people in greatest need: Geographic Targeting and Supporting the Most Vulnerable Families. In 2009, the government initiated geographic targeting to help the poorest 1000 villages by improving infrastructure and health services, reducing illiteracy, increasing job opportunities and introducing ration cards.

Perhaps one of the key developments that took place in 2009 was the creation of new bodies such as the Ministry of Family and Population and the Slums Development Fund. They reflect the urgent need to deal with the demographic crisis and the slums problem. The slum areas increased from 1,174 in 2004 to 1,210 in 2006; also the share of urban population living in slums increased by 3.5% over the same period. If this trend persists, it will limit Egypt's ability to achieve the MDG target of achieving a significant

improvement in the lives of at least 100 million slum dwellers by year 2020.

The net enrolment ratio in primary education increased from 91% in 2000/01 to 94% in 2005/06. The literacy rate for 15-24 year-olds increased from 73% in 1996 to 87% in 2005. Illiteracy decreased from 28.8% in 2007/08 to 27.8% in 2008/09. Nevertheless the illiteracy gender gap poses a challenge. The 2007-12 five-year plan aims to increase enrolment rates, increase the number of schools, reduce class density, and support early childhood development.

Egypt has succeeded in eliminating gender disparities in general secondary education and is set to do so for primary education. Yet this MDG target may not be met at the technical education level. Women's share in wage employment in the non-agricultural sector is quite low, at 17.7% in 2005. Women's representation in the political arena is also limited: only 1.8% in the People's Assembly in 2005 and 7% in the Shura Council in 2008. Despite the inclusion of gender targets in the current socio-economic plan for the first time in Egypt, and the establishment of the National Council for Women in 2000, there is clearly a need to promote greater participation of women in the formal economy and in the political realm.

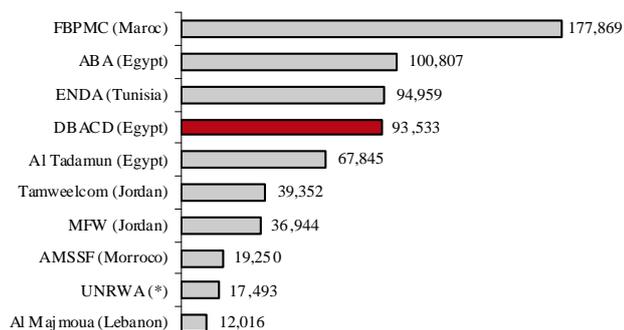
Infant and under-five child mortality declined by almost 50% between 1990 and 2006. Infant mortality decreased from 8.4% in 2007 to 7.9% in 2008. Under-five child mortality declined from 19.2% in 2007 to 18.3% in 2008. Moreover, there is noticeable progress in measles immunisation. But disparities in infant and child mortality by region, social class and gender remain a key challenge. Maternal mortality declined from 174 maternal deaths per 100,000 live births in 1992 to 84 in 2000, already achieving the MDG goal.

HIV prevalence in Egypt is low, at less than 1% of the population in 2007. [1] The Ministry of Health and Population plans to reform the health insurance system as part of a nationwide health care reform strategy with the objective of achieving universal coverage for all Egyptians by 2012. At present, only 52% of the population has health insurance coverage via the local Health Insurance Authority. The Ministry of Health and the Ministry of Finance are currently finalizing the draft of the new health insurance law. The draft law is expected to be submitted to the parliament in the next session. The new system aims to reduce the amount of disposable income spent on health care to around 35% only.

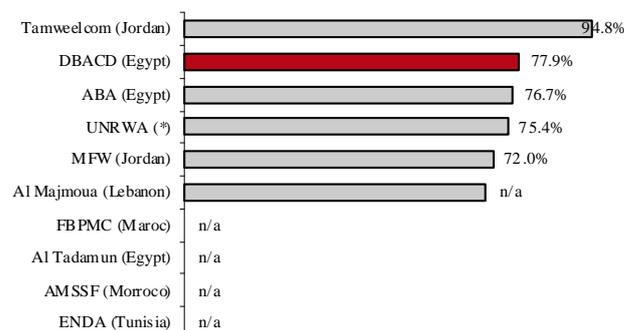
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Benchmarking

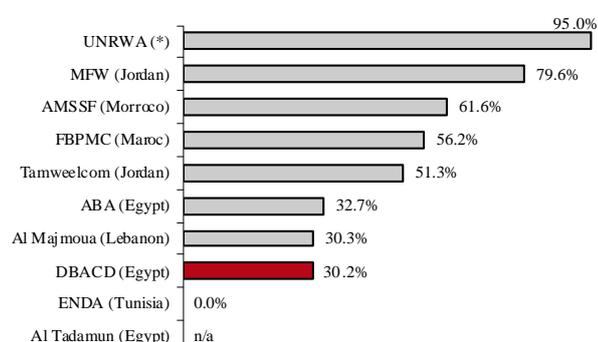
Active borrowers



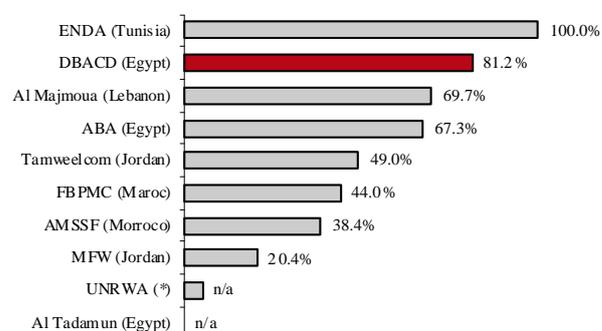
Retention Rate (Schreiner formula) **



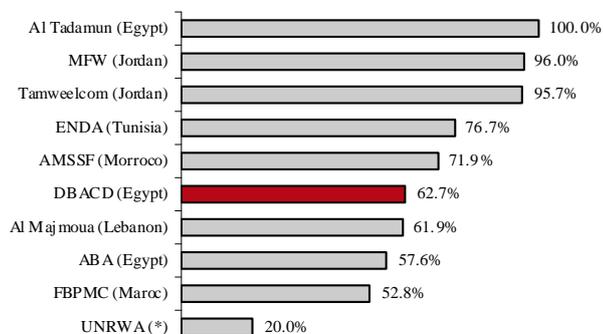
Proportion of urban clients



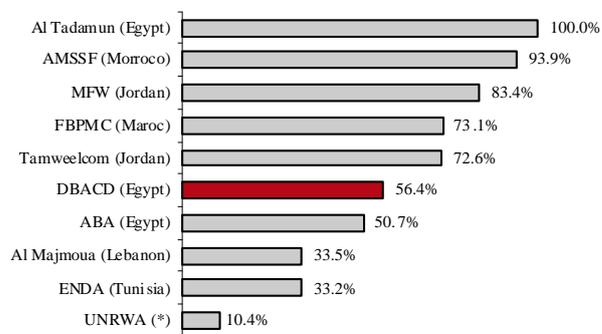
Proportion of rural and semi-urban clients



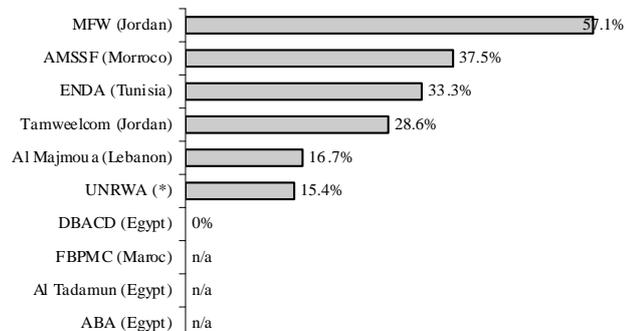
Proportion of female borrowers



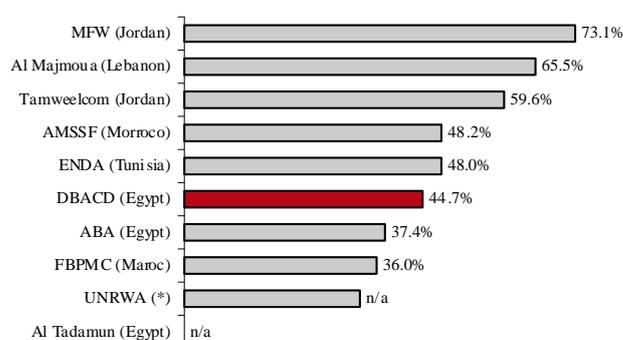
Proportion of group loans



Proportion of female BoD members



Proportion of female staff



Sources: Planet Rating for DBACD and Al Majmoua (2009 data); Mix Market for other MFIs (2008 data); Notes: the MFIs in this benchmarking were selected according to availability of data in terms of social performance. * Occupied Palestinian territories (West Bank and Gaza), Jordan and Syria; ** refer to the formulas section.

■ Formulas

Portfolio yield: Portfolio revenue / 13-month average gross outstanding portfolio.

Staff turnover: # salaried staff who left over the period / Average # staff over the period.

Penetration rate: # active clients / # households

Retention rates formulas:

- Waterfield/CGAP n°1: repeat loans / repaid loans.
- Schreiner formula: end borrowers / (beg. borrowers + new borrowers).
- Waterfield/CGAP n°2: (end borrowers - borrowers with the same loan during the period) / (beg. borrowers + new borrowers - borrowers with the same loan during the period).
- Mix Market: (beg. borrowers + new borrowers - end borrowers) / ((beg. borrowers + end borrowers)/2)

■ Rating Scale

Rating	Definition
5+ 5 5-	Advanced: Long-lasting commitment to social goals; efficient management of social performance and social responsibility risks; institution very likely to achieve a positive social impact.
4+ 4 4-	Convincing: Clear commitment to social goals; reasonable management of social performance and social responsibility risks; institution likely to achieve a positive social impact.
3+ 3 3-	In progress: Clear intent to reach social goals; social performance management systems being implemented.
2+ 2 2-	Incipient: Clear intent to reach social goals; low capacity to manage social performance.
1+ 1 1-	Intangible: Intention to reach social goals is non tangible; low level of management of social performance.
0+ 0	Negative: No intention to reach social goals; mismanagement leads to negative social performance.