

**ITALIAN - EGYPTIAN
POVERTY ALLEVIATION AND EMPLOYMENT
GENERATION PROGRAM
IN GIZA AND MINIA GOVERNORATES (EGYPT)**

PROCEDURES MANUAL



ITALIAN DEVELOPMENT COOPERATION OFFICE OF THE EMBASSY OF ITALY IN EGYPT
in co-operation with
EGYPTIAN MINISTRY OF INSURANCE AND SOCIAL AFFAIRS

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I ACKNOWLEDGEMENT

The Poverty Alleviation and Employment Generation Program in Giza and Minia Governorates (PAP), under the direction and supervision of Dr Amjad Yaaqba, the Program Coordinator, prepared this manual with the aim of conveying its past seven years experience and presenting the Revolving Fund scheme with its operational and financial rules which guaranteed a proven impact and a sustainable contribution to the welfare of the Egyptian society.

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II Acronyms

COMPONENT	REFERINAFTER AS
Central Management Unit	CMU
Community Development Association	CDA
Community Needs Activities	CAN
Egyptian Pound	LE
Ministry of Insurance And Social Affairs	MISA
Poverty Alleviation And Employment Generation Program	PAP
Regional Management Unit	RMU
The Centre for Development and Population Activities	CEDPA
Credit Guarantee Company for small-scale enterprises	CGC
Central Project Unit	CPU
Egyptian Management Unit	EMU
The Economic Reforms and Structural Adjustment Program	ERSAP
Gross Domestic Product	GDP
Italian Project Unit	IPU
Information Technology	IT
Egyptian Pound	LE
Management Information Specialist	MIS
Ministry of Insurance and Social Affairs	MISA
Non Governmental Organisation	NGO
The Program “Poverty Alleviation and Employment Generation in Giza Governorate”	PAP
US Dollar	USD

III PREFACE

This manual has been produced to share the best practices of the Poverty Alleviation Program in the Governorates of Giza and Minia with the stakeholders working in the field of micro credit and related social interventions. Special attention will be provided in defining sustainability measures, documenting rules and regulations as well as operational, financial policies implemented at the program level.

The manual is meant also to be a tool for the different actors who had been involved in the implementation of the Poverty Alleviation Program and are continuing to carry out the Program's implementation after the official phase over of the Technical Assistance. Namely the involved parties are the following:

- MISA personnel who will be responsible of the grant money and the sustainability of the program;
- The ultimate authority for approval of the design and who will decide the policies and strategies to be followed;
- CDA personnel who will be responsible for implementation;
- Federation personnel will be provided a copy as a reference;
- Branches Personnel;
- Beneficiaries.

It is important to highlight that the sustainability of any microcredit program is linked to the possibility of circulating the capital allocated for the funds in addition to covering the expenses related to the function of the structures. Therefore the current interest rate applied should be revised in case of structural changes of the market rates.

The manual is structured in 7 chapters describing the tools used for the decision making process for the Community Development Associations, the rules and regulation related to the management of the staff, the handling of the loan process, the purchase procedures, the revolving loan cycle management, the financial system to be set up. The non financial activities are highlighted in chapter 5 and 6. A brief overview of the credit component targeting micro and small enterprises is described in Chapter 7.

IV General Overview of PAP

The Program “**Poverty Alleviation and Employment Generation in Giza Governorate**” (**PAP**) was established on the 9th of September 1997 with the signature of the Implementation Protocol by H.E. the Italian Ambassador in Egypt and H.E. the Minister of Insurance and Social Affairs. The Program has been financed through a grant from the Italian Government to the Egyptian Government. The Italian contribution amounted to USD 3,700,000, of which about 3,000,000 were allocated for the Revolving and Guarantee Funds. The Italian General Directorate for Development Co-operation approved on the 16th of June 2000 an extension of the Program to Minia Governorate, which allocated other 3 million USD.

Based on the achieved success of the program in the various community development associations covering Minia governorate, the Egyptian Ministry and the Italian Cooperation agreed in year 2003 on the continuity and permanence of the Italian management together with the Egyptian one for another year and requested the know-how and the technical support to implement similar programs in three other Governorates, namely; Assiut, Quena and Sohag. Such a request comes out of Egypt's confidence of Italy's great desire to continue its offered services to the welfare of the Egyptian nation.

1. Origin and Objectives

PAP's purpose is to help local communities move a step further from poverty. **The overall objective** of the Program “Poverty Alleviation and Employment Generation in Giza and Minia Governorates” has been to provide a support to the action of the Egyptian Government in **reducing poverty and creating job opportunities** to soften the effects of the Economic Reforms and Structural Adjustment Program (ERSAP). The Program through an **integrated multidimensional approach** used microcredit as the driving force for poverty alleviation.

2. Strategies of Intervention

The Program has implementing its activities through **the Social Oriented Component** which aims at tackling specific assessed poverty situations and increasing the revenue of low-income families, through the access to informal credit. The main purpose of this component has been to act as a safety net through income generation activities for the most disadvantaged population in the Program's area of intervention and to trigger a long-term sustainable process of economic and social development. To support the access to credit, the Program activated a **Revolving Fund**, implemented through the support of local grass-root associations called Community Development Associations (CDAs).

Within the Social Oriented Component, the Program has focused its intervention on building a good mechanism for the provision of loans. Training activities related to the capacity building were provided in order to enable the staff of the Program working in the CDAs to manage the funds at the community level. In addition, increasing attention was given to the delivering of training services to the beneficiaries of the Program, such as book-keeping, raising awareness for women, mushroom raising, animal husbandry services and vocational training for carpenters.

Initially the Program concentrated its efforts in the development of an efficient credit mechanism managed by the central unit in close co-operation with the Community Development Associations operating at the field level.

It was only after the establishment of a responsive and well-functioning financial mechanism, that the Program started providing a wide range of non-financial services. The increased level of familiarity and confidence that the program staff gained from the local communities, made the provision of non financial services not only possible but also most efficient. Experiences from other programs in Egypt and other developing countries in fact have shown that poor people tend to be much more willing to receive non-financial services in a second phase, following the disbursement of financial services. A specific training-needs assessment was carried out before delivering any non- financial service.

The best practices of the Program proved that microcredit is an effective tool in the hand of development practitioner to help the poor escape the vicious cycle of poverty but that the provision of microcredit alone is not sufficient. The poor in fact have a range of other needs that have to be addressed if the objective is to trigger a long term and sustainable process, which will eventually enable them to become realistically self-sufficient. Among these needs are improved skills, raised awareness, literacy classes and health caring. In order to reach this objective, non-financial services therefore become essential.

CHAPTER 1

COMMUNITY DEVELOPMENT ASSOCIATION ROLE

AND

THE DECISION MAKING PROCESS

Chapter 1 – Community Development Associations (CDA) and their Federation - Role and the decision making process

1. THE VISION, MISSION AND APPROACHES OF THE CDAS WITHIN PAP SCHEME.

▪ VISION

Continuously increasing its credit activity as to serve as many as possible if not all the poor targeted families;

Reaching the break-even point and thus being capable of self-financing.

▪ MISSION

√ Reaching the poor families, helping them in generating and increasing their income and offering them opportunities for a better social standard. This is done through a microcredit scheme.

√ Generating job opportunities and helping booming the micro-economy of the country.

▪ APPROACHES

√ Assessing the basic and badly needed community services;

√ Reaching the poorest of poor;

√ Identifying the less lucky citizens as target group;

√ Helping the beneficiaries to run their own activities

√ Empowering the beneficiaries through training, thus improving their skills;

√ Granting the beneficiaries the freedom of buying what they really need to run their activities, without any external imposition;

√ Strengthening the willingness of the individuals in being productive.

▪ PROBLEMS ADDRESSED

√ Low income;

√ Over population;

√ Unemployment;

√ Illiteracy.

▪ SUCCES INDICATORS

√ Reaching breakeven point;

√ Expanding in activities;

√ Increasing in the number of the clients;

√ Improving the social standards of the beneficiaries;

√ High and continuous demand for the services provided.

2. THE CDA DECISION MAKING PROCESS

1. The Board of Directors

The CDA organizational structure consists of a board of directors formed according to Labor Act number 84 for year 2002 that goes with CDA launching and its bylaw

The Board of directors forms an Executive Committee in charge of most of not all issues related to the management of the CDA.

2. The Executive Committee

- ✓ It consists of 5 persons: the chairman or the vice-chairman, the treasurer, the secretary- general and two board members selected by the board of directors.
- ✓ Meets at least once a month with a minimum quorum of three persons. The Chairman or vice-chairman and treasurer must be one of the three attendants.
- ✓ Assesses the loan committee decisions. The minutes of the meeting must be taken and submitted to the Board of Directors for approval.
- ✓ Hires the staff according to approved roles, responsibilities and qualifications defined according to the profile sought.
- ✓ Authorizes the modification of the organizational structure and job hierarchy according to the needs of the CDA by adding or suppressing posts.

3. Loan Committee

The Loan Committee (LC) is composed of the Chairman of the CDA as the representative of the Association, the Treasurer in charge of the CDA financial aspects, 3 board members, 2 of which rotate on an annual basis and the Field Officer who prepared the case studies as a non voting member. In some cases it could be forecasted the set up of a loan committee with 5 board members. The rotation of two of the five members in this case occurs every 18 months. The Loan Committee meets on average twice a month. LC meetings should be called when up to 25 and not less than 10 cases have to be assessed. The frequency of the Loan Committees has to be linked to the calculation of costs, convenience and efficiency. The Social Expert of the Federation assists the Loan Committee as a non voting member with the functions of supervisor of the procedures application by the LC in line with the program policy.

The responsibilities of the Loan Committee are the following:

- Check on the serial number of all applications;
- Make a first screening of the loan applications. The requests are studied in presence of the field officer in case of further explanation;
- Review, assess and prioritise loan applications; prioritized and classified into three categories: approved, unapproved and to be reconsidered;
- Prepare a waiting list of the approved applications, which meet the Program's criteria but not the financial resources that the Central Project Team has allocated to the CDA;

- Based on the final approval granted by the CMU, the loan committee is to sign on the cheques of the approved loans

4. Purchase Committee

The purchase committee starts its activities after the signature of the contract between the CDA and the beneficiary. Its main function is to purchase the goods according to the business plan approved by the LC.

The committee is composed by a board member, a General Assembly member (not a loan committee member, not working in the CDA and has to rotate every 12 months), the volunteer, the cashier (as the controller) and the beneficiary.

- The committee starts the implementation of the loan once the beneficiary signs the contract with the CDA (not later than the 25th);
- Based on the set implementation plan, the accountant hands the cashier the cheques on a daily basis to be cashed from the bank account;
- Minutes of the purchase committee have to be taken by the cashier and signed by all the members.

5. The Controlling authority – the Federation and the Monitoring Committee

The Federation has the role of supervising all the CDAs who are part of it. To assure the sustainability, a 3% interest rate has been allocated. A 1% of the interest is allocated for training expenses and administrative capacity building activities promoted by the Federation.

For a following up of the activities, a Monitoring Committee has been set up.

The Monitoring Committee is composed by:

1. The head of the Central Department for Development of MISA with the function of President
2. The undersecretary of MISA with the function of Vice-President
3. The Head of the Federation (member)
4. The representative of the Italian Technical Cooperation Unit
5. The executive director of the credit unit of the Federation as a member and secretary.

Any other member that the Committee wants to invite can only participate as an observer. The MC meeting can be considered legal only if the President or vice president is attending.

3. HIRING REGULATIONS

The responsibility of hiring staff based on set of defined qualifications and vacancy post concerns the Board of Directors; the representative of the monitoring committee has a role of guidance to the board members. The hiring procedures, rules and regulations of the staff are granted under the labor law number 12 of 2003.

The Board of Directors is authorized to modify the job hierarchy by adding or deleting posts according to the needs of the CDA.

The general hiring criteria are the following:

- Over 21 years old;
- Absence of criminal record;
- Good health;
- Exempted/completed military service; (for males)
- Success in the exam set for the post applied for.

The applicant should submit the following documents:

- Application form;
- Curriculum vitae;
- Education certificate(s);
- Birth certificate;
- Exemption/completion military service certificate; (for males)
- Criminal record;
- 4 passport size photos;
- A certified medical checkup report.

An Arabic Labor Contract made of three original copies is to be issued between the applicant and the CDA. The CDA keeps an original copy, hands the applicant one and sends the third original copy to MISA.

As per the labor law, the applicant's probation period is three months.

An employee track record (file) should be created, in which all his official and personal documents as well as the administrative papers are to be filed.

3.1 Employees responsibilities

Every employee should perform all the tasks provided and assure discretion of data even when he/she leaves his post. All documents must be kept at the CDA premises.

The employees must provide appropriate support and information to the beneficiaries and represent appropriately the CDA.

The employee cannot accept gifts, commissions, money or any other compensation without prior informing the Board of Directors. Any action against the employees by

the CDA should fall within the rules and regulations forecasted in the Egyptian labor law.

3.2 Working hours

The Board of Directors is authorized to set the proper working hours of the employees depending on the nature of their duty and the needs of the job. The employee has to respect the working hours.

3.3 Leaves

The calculation of the leave is set according the Egyptian Labor Law. A leave form should be submitted to the Board of Directors that retains the right of accepting any kind of requested leave.

3.4 Salaries and incentives schemes

According to the labor law the employee is granted a monthly fixed salary as stated in his contract. The surplus over the fixed salary is paid according to the incentive scheme of the program.

In case of a full time delegation/hiring, the employee receives a monthly unfixed incentive. Incentives are due if the monthly repayment rate is over 97%. Delegation Agreement, the employee receives a monthly-unfixed incentive. The incentive scheme is linked to the performance of the employees with accordance to the CDA work-plan, but there should be a penalty system as well. The deprivation from incentive isn't to be considered a penalty; an incentive is a compensation for the extra work.

Calculation of incentives

Monthly repayment % = Total of collected installments in the month/ total due installments

3.5 Evaluation grid for employee's performance

Employees are ranked according to the following grid:

Excellent	from 90 to 100
Very Good	From 80 to 89
Good	From 60 to 79
Moderate	From 50 to 59
Weak	less than 50

The evaluation report is to be prepared by the employee's direct manager and be presented to the Board of Directors.

3.6 Job descriptions

Field Officer - (Full-time)

Qualifications

- University graduated/equivalent (preferably those with Social services studies);
- Experience in Field work;
- Computer literate;
- Excepted/completed military service (for male applicants).

Roles & Responsibilities

- Holds awareness meetings;
- Defines the targeted group in the catchments;
- Assists the targeted groups in defining their needs;
- Helps the beneficiaries through all the loan steps (e.g., filling out the application – choosing the activity that suits their capabilities and experience);
- Prepares both the Social and the Feasibility researches;
- Applies the set criteria of the targeted group;
- Gives recommendations and prioritizes the loan requests according to the needed and most profitable activities in the catchments;
- Registers loan requests on the record;
- Applies the set criteria of loan sizes and stages;
- Attends the signing of the contracts of the beneficiaries;
- Pays field visits to the activities of the beneficiaries at least once to each, in order to follow up the performance of the beneficiaries and offers advices when needed;
- Cooperates with the social expert and the lawyer to avoid late repayment;
- Performs any other assigned task.

Cashier – Full time

Qualifications

- Commercial diploma (high school);
- At least 2 years experience in similar job;
- Excepted/completed military service (for male applicants).

Roles & Responsibilities

- Member of the Purchase Committee;
- Prepares activities implementation plan;
- Cashes money from the bank;
- Collects the installments and hands the beneficiaries as a proof of their repayment;
- Deposits the collected money in the CDA bank account on daily bases (or at least one day after collection);
- Prepares the purchase and delivery note and gets it signed by the members of the Purchase Committee;

- Responsible of the petty-cash and cash fund;
- Records the daily in and out money transactions in accordance with the used accounting system;
- Performs any other assigned task.

Accountant (Full-time)

Qualifications

- BA – Faculty of commerce;
- Experience in a similar job;
- Excepted/completed military service (for male applicants).

Roles & Responsibilities

- Prepares the monthly financial repayment report;
- Regularly updates the accounting records (e.g., balance sheet, cash flow, loan activities etc.)
- Follows up and reviews bank statements;
- Replaces the cashier in collecting the installments if needed;
- Follows up loans cashing;
- Issues the cheques under the name of the cashier according to the rules and the regulations of the program and hand them to be cashed in stages according to the implementation plan;
- Prepares daily lists of the due installments;
- Prepares daily lists of the calculated delinquency penalties;
- Revises daily the receipts and bank deposits statements;
- Informs the Field Officers of the late payment list;
- Prepares a monthly financial statement;
- Prepares the employees' pay rolls (salaries, incentives, etc.);
- Participates in the annual inventory;
- Carries the legal responsibility in case of mistakes in the financial issues;
- Performs any other assigned task.

Volunteer (Full/Part-time)

The volunteer is preferably a woman; the presence of a woman in the CDA has the aim of promoting the participation of women both in the credit schemes and other activities promoted by the Program.

Qualifications

- At least a holder of a diploma or high school certificate;
- Belongs to the catchments she will serve in;
- Elementary knowledge on development

Roles & Responsibilities

- Introduces the credit scheme to the targeted community in order to orient them and bring to their minds the benefits beyond it;
- Supports the field officer in studying and preparing the beneficiaries' social research;
- Is a member of the Purchase Committee

3.7 Salaries and incentive schemes

Salaries are paid according to the responsibilities. In this part details of salaries paid and incentive payment is elaborated.

Position	Monthly salary/Compensation	Incentives
Accountant	250 LE x month	Incentive due only if repayment rate is not less than 97% and number of active clients more or equal to 100
Loan Committee	25 LE x participants x meeting paid only if number of applications is not less than 10 and not more than 20	
Cashier (full time)	100 LE x month	50% of total incentives of the two field officers
Cashier (delegated)	100 LE x month (attends Purchase Committee)	50% of total incentives of the two field officers
Field Officer (delegated)	150 LE x month plus 10 LE for every new activity (maximum of 10 cases) and 5 LE for every existing activity (maximum of 10 cases)	Incentive due if repayment rate is equal or more to 97% and number of active loans not less than 50
Field Officer- hired	150 LE x month	Incentive due if repayment rate is equal or more to 97% and number of active loans not less than 50
Volunteer	150 LE if full time/70 LE if part time.	
Purchase committee salesman	30 LE per each implementation	

CHAPTER 2

THE REVOLVING FUND CYCLE

Chapter 2 – The Revolving Loan Cycle

1. Promoting the Project

1.1 Awareness Meeting

The CDA is responsible to introduce the credit scheme to the targeted community members. This task is accomplished using various means simultaneously:

1. Outdoor advertisement, like: brochures, ad-stickers and panels.
2. Periodic community orientation meetings should be conducted by the board of directors of the CDA, using simple language embedded from the prepared studies on the specific needs of this community, explaining the broad aspects of the credit scheme, and encouraging the target group to apply for loans.
3. Business to consumer tactic:
 - a. Field-officers talk to people in gathering areas and conduct group meetings.
 - b. Volunteers orient women and conduct home visits.

1.2. Loan Instructions

The Field-officers are responsible to conduct awareness meetings with the prospective beneficiaries explaining the detailed aspects of the credit scheme whether for a start-up activity or for an existing one as follows:

a) Types of business categories:

Only four major business categories are eligible to receive loans. These four business categories are:

1. Industry	1.1 Workshop 1.2 Handicraft 1.3 Production	2. Commercial	2.1 Buy and sell (Peddler) 2.2 Buy and sell (Retailer) 2.3 Produce and sell
3. Agricultural	3.1 Raising Farms 3.2 Crops	4. Service	4.1 Renting 4.2 Food and beverage 4.3 Maintenance and Repairing 4.4 Public Stuff 4.5 Multi-Stuff

b) Loan Terms and Conditions:

- ✓ Loans are disbursed without formal collaterals but with two sub-collaterals :
 - Guarantor: (no cross guarantee is permitted)
 - long-standing relation with the beneficiary
 - Age between 21 to 60 years
 - Egyptian citizenship with valid ID
 - Capable of backing the beneficiary

- Not a Beneficiary
 - From the same community
 - Fully aware of his legal responsibility
 - Honesty receipt of the amount of the loan added to it the calculated interested rate against the beneficiary and the guarantor.
- ✓ All loans are disbursed in kind for both fixed and working capital, no cash delivery is to be handed to the clients thus ensuring the proper use of the loan in the targeted activity.

c) Loan size/stages:

Three sizes/stages are consecutively applicable:

(subject to decrease/increase change based on the dynamic economical conditions)

Size/stage 1: Ranges from LE. 200 up to LE. 2,500

Size/stage 2: Ranges from LE. 200 up to LE. 3,500

Size/stage 3: Ranges from LE. 200 up to LE. 5,000

- ✓ The transition to the next loan size/stage is conditioned by four in-a-row constraints:
1. The previous loan is fully paid in cash either all at once or with a proven punctual payment record.
 2. Three-quarters (75%) of the previous loan term had passed.
 3. The project has demonstrated indicators for success during its previous phase(s) and potentiality for continuity and expansion.
 4. The beneficiary isn't blacklisted.

d) Administrative fees:

The loan is disbursed with an annual 11% flat administrative fees (subject to decrease/increase change based on the inflation rate). This rate is divided as follows:

- 1% to cover the Operational Cost such as:
 - Incentives, honorarium, Petty Cash, Miscellaneous, Salaries, Expenses
- 1% for the training expenses and capacity building of the Federation
- 3% for the Credit Unit of the Federation
- 3% to cover Inflation Rate.
- 3% to cover Loans Loss Reserve and Bad Debts

When break-even is reached, any extra money is to be used for community needs activities.

e) Loan Repayment:

- ✓ A repayment schedule contains installments due dates and payment place is prepared and delivered to the beneficiary.
- ✓ Loan is repaid in a form of monthly installments.
- ✓ The first installment is due after one month of the loan implementation
- ✓ Installments term ranges between 6 up to 18 months
 - The term is determined according to the financial study of the activity which should take into consideration what factors are influencing the cash-in and the cash-out.

- ✓ If the installment is due in one of the official off days (week-end day 'Friday' or festivals 'Religious & national'), in order to facilitate repayment on time, beside shifting the due date one day, each CDA schedules the attendance of its concerned staff, namely; the accountant, the cashier and the tow field-officers, using the system of alternative off days as follows:
 - Thursday & Friday > off days to the accountant & one of the two field officers.
 - Friday & Saturday > off days to the cashier & the other field officer.

- ✓ The first installment is due after a month of the date of receiving the loan.

- ✓ Some repayment facilities are available:
 - Grace Period: Applicable for activities that do not generate income immediately, or the immediate monthly income is not sufficient to run the business, or that have special life cycles.
 - Hints:
 - ⇒ Set on monthly basis not on days;
 - ⇒ Ranges from 1 month to 6 months;
 - ⇒ Can be requested more than once as long as within the range;
 - ⇒ No possibility to reduce/cancel it if set;
 - ⇒ No possibility to change the set schedule (to consider non graced period as graced or vice versa);
 - ⇒ The new loan schedule (previous loan term + graced month(s)) shouldn't exceed the 18 months set as a maximum available loan term;
 - ⇒ Determined according to the financial study of the activity.

 - Shifting: Means a change in the installment repayment due date within its month. If all the installments scheduled due dates aren't suitable to the beneficiary, he can ask for a group change.
 - Hints:
 - ⇒ Set within the month of payment;
 - ⇒ Maximum 21 days;
 - ⇒ Can only be requested twice as long as within range;
 - ⇒ No possibility to reduce/cancel it if set;
 - ⇒ No possibility to change the newly set schedule;
 - ⇒ The new loan schedule (previous loan term + shifted day(s)) shouldn't exceed the 18 months set as a maximum available loan term.

- **Rescheduling:** Means lengthening the loan term thus increasing the number of the installments while reducing their due amounts.
 - Hints:
 - ⇒ Based on new social and feasibility studies that takes into account any occurred unexpected circumstances;
 - ⇒ Set on monthly basis not on days;
 - ⇒ Can only be requested once;
 - ⇒ No possibility to reduce/cancel it if set;
 - ⇒ No possibility to change the newly set schedule;
 - ⇒ The new loan schedule (previous loan term + the additional months) shouldn't exceed the 18 months set as a maximum available loan term.

f) Handling Delinquency:

- ✓ A 1% of the due installment principle is calculated non-accumulative as a penalty/day right on the first day of delay.
- ✓ A duration of seven days is given before any official action.
- ✓ On the eighth day, the field officer should submit to the CDA a detailed report contains the beneficiary's follow-up history.
- ✓ After 7 days of the submission of the report, the CDA board of directors are to send the following:
 - A warning note to the beneficiary;
 - A notification note to the Social Committee;
 - A request to the lawyer to send a legal warrant within 7days to the beneficiary and charge him.
- ✓ Same procedures are to be followed but calculated separately for three consecutive delays in the due monthly payments.
- ✓ After that the lawyer is to be asked to notify the beneficiary of a five days grace period for payment before raising a case.
- ✓ After the five days, the lawyer takes the legal procedures of raising a case.
- ✓ A verdict of community service activities might be introduced in some of the human cases.

2. Beneficiary Selection Criteria:

- c. Belongs to the targeted group which is:
 - i. Female household;
 - ii. Families whose one or two of its members are uneducated females;
 - iii. Those who have no land ownership;
 - iv. Families whose one or two of its members are unemployed males/females;
 - v. Families who have children in labor;
 - vi. Handicapped.
- d. Both genders are eligible.
- e. Egyptian citizenship
- f. Economically marginalized families (L.E. 150 / person / month and L.E. 900 / family / month)

- g. Good reputation and no Criminal records
- h. Lives in the targeted geographical area and runs his/her activity in there.
- i. Age between 21 and 60 years
- j. No current debt/loan from any other source.
- k. Incapacity of obtaining loans from the formal sector
- l. Ability to run and expand his chosen activity in a way that creates new job opportunities.
- m. Some activities require previous experience in the field

3. Steps related to the preparation of the loan documentation

3.1 Filling in the loan application form and field visits

The beneficiary should fill in a loan application form indicating his request of a loan with a stated amount then submit it to the CDA. A preliminary evaluation and two field visits follow the loan application.

With the loan application, the beneficiary should hand in copies of the following documents to the field officer who should however check the original as well and sign on the copies.

Two sets of documents are required:

- 1 Obligatory documents:
 - ID card (personal or family)
 - Registered renting or ownership contract of the activity placement
 - Electricity or water or gas or telephone phone bill of the month just before the submission of the application as a proof of availability of residency location
- 2 Complementary documents:
 - Activity license in the case of workshops that bothers the neighborhood
 - Commercial Registration Book (request can be approved without it)

After registering the request the field officer should make two field visits:

1. A visit to the house of the beneficiary should be paid to check that he/she is of the target group and to help in preparing the social research.
2. A visit to the location of the activity is due as well to assess relevance of the loan requested and to help in preparing the feasibility study.

3.2. The Social Research

Based on the first field visit, a social research is prepared. When conducting such a research, it is important for the field officer to gain the trust of the people and grasp their social dynamics, this can be accomplished through:

- Spending time with the beneficiary
- Understanding the family real situation.
- Explore the family internal dynamics:
 - the division of labor
 - the decisional power
 - the control over resources and benefits
 - the spending pattern.

3.3 The Feasibility Study

When assessing the beneficiary's project, it is very important that the field officers analyze its feasibility.

- Make sure that the client has the capabilities and competencies for performing the activity
- Make sure that there is a demand for that activity in his community.
- If demand is low or the market is already full, study carefully the situation and propose alternatives or diversify the product
- Analyze carefully the sustainability of the activity

4. Loan Committee Decision

To decide on a loan application the loan committee should have in the beneficiary file the following set of documents:

- Loan application
- Social Research
- Activity expenses and financial resources
- Feasibility study
- Beneficiary's Cash flow
- Loan committee decision
- ID cards (personal or family) for both the beneficiary and the guarantor
- Electricity or water or gas or telephone phone bill
- Registered renting or ownership contract
- Loan contract with all the required signatures and the CDA stamp

The file is under the responsibility of the field officer and is to be kept in the CDA

The decision:

- √ is to be taken up to the majority;
- √ The requests are to be studied with the presence of the field officer in case of further needed explanation;
- √ The requests are to be prioritized and classified into three categories: approved, unapproved and to be reconsidered if further document or investigations are required.
- √ The names of the approved loan requests are to be listed in a report then all the loan committee members should sign it to confirm approval

5. The endorsement of the RMU

- The Regional Management Unit (RMU) finalizes the approved list and forwards it to the Board Members of the CDA.
- Within maximum one week from the decision of the Loan Committee, the Treasurer of the CDA contacts the corresponding beneficiaries.
- Interested beneficiaries prepare for signing the agreement.
- Beneficiaries not responding to the call within 10 days are not entitled to take the loan anymore and the loan writes off.

6. Implementation of the loan

After the approval of the technical and the credit unit in the federation of the CDA loan committee decisions:

- The list is to be handed to the cashier to prepare the implementation plan
- The CDA chairman contract the beneficiaries and a guarantor is to sign on the contract with the presence of the field officer
- Both the beneficiary and the guarantor sign an honesty receipt of the amount of the loan added to it the administrative fees and the lawyer fees with the presence of the field officer. The previous documents is to be handed to the accountant to be registered in the accountability books then to the treasurer
- All honesty receipts are to be kept with the treasurer and never handed out except after the accountant announces the full repayment of the beneficiary's loan
- A check per loan is to be prepared to the order of the cashier stated in it the name of the beneficiary and his activity

- The check are to be signed by the treasurer, the CDA chairman and the person in charge in the federation
- The cashier signs a delivery note before taking the check
- A repayment schedule contains installments due dates and payment place is prepared and delivered to the beneficiary
- The Cashier signs a receipt to the accountant, and calls for a Purchase Committee session.
- The Cashier cashes the check from the CDA project bank account and meets with the beneficiary to buy the goods.
- Once the purchase is carried out, the beneficiary receives the purchased items and signs a delivery minute. Both the Cashier and the beneficiary keep one copy.
- The Cashier fills out the PURCHASE MINUTES providing details of the shop where the purchase took place and the value of the goods. Delivery minutes are also attached.
- Purchase Minutes are filled out by the Treasurer and signed by the entire Purchase Committee and by the beneficiary.
- The Accountant registers the loan financial transactions in the ledger and keeps track of the due installments, the interest rate and the grace period, if applied.
- Once all the aforesaid procedures are carried out, the beneficiary is officially entitled to start his or her activity, repaying according to the repayment plan agreed upon in the borrowing agreement.
- Field Officer follows and monitors start-up operations.

7. Repayment and follow up:

- The loan plus the administrative fees is repaid in a form of even monthly installments
- The first installment is due after one month of the loan implementation except for the activities which had been granted a grace period in which only the administrative fees are paid
- The accountant should be very careful and precise in the calculation of the due installment amounts and he should do it in away that facilitates the collection of them later on and he should register money transactions in their right books and keep the books of each fiscal year independently.

8. Collecting installments:

- Once the loan is in process, either the Cashier or the Field Officer collect the monthly installments to be deposited in the bank project account.
- The beneficiary should pay the installment in the due date according to the schedule he had been handed. The money is to be submitted to the CDA cashier and if he is absent the accountant can replace him conditioned he takes a receipt of the credited amount and a copy of this receipt is to be kept in the CDA keeping-books
- The receipts should be stamped with the CDA stamp before usage and they should hold serial numbers
- Money is to be kept in the CDA safe and deposited in the bank daily.
- The money is to be credited in the CDA special bank account and never under the name of one of the CDA board members

- A copy of the installment receipt is kept by the Cashier in the Receipts Book.
- Repayments are carefully monitored by the Accountant, who prepares the trial sheet with the cash inflow and outflow, and reports monthly to the Regional Management Unit
- While monitoring the soundness of the loan portfolio, the Accountant is in the position of recording and notifying repayment delays;
- Delays in repayment are recorded and notified either by the Cashier or the Field Officer who report to the CDA.
- Beneficiary is then contacted by the Field Officer if the beneficiary is not regular and on time with the repayments, penalties are applied

9. Monitoring

- The good performance of the project activities is guaranteed by the Field Officer and the Expert. Both monitor the implementation at different levels, sharing information.
- The Field Officer conducts visits to the beneficiaries and provides support and advice whenever needed.
- The Expert monitors the soundness of the loans from the headquarters.
- When the beneficiary is about to finish repaying the loan, the Field Officer conducts an impact evaluation, analyzing the economic and social impact of the loan. This usually takes place before the repayment of the last installment.
- Updated data is processed in the Social Loan Tracking System, which analyses if the loan improved the quality of life of the beneficiary.

10. Repayment and follow up:

- A 1% of the due installment principle is calculated non-accumulative as a penalty/day right on the first day of delay.
- A duration of seven days is given before any official action.
- On the eighth day, the field officer should submit to the CDA a detailed report contains the beneficiary's follow-up history.

- After 7 days of the submission of the report, the CDA board of directors are to send the a warning note to the beneficiary;
- A request to the lawyer to send a legal warrant within 7days to the beneficiary and charge him.
- Same procedures are to be followed but calculated separately for three consecutive delays in the due monthly payments.
- After that the lawyer is to be asked to notify the beneficiary of a five days grace period for payment before raising a case.
- After 5 days, the lawyer takes the legal procedures of raising a case.
- A verdict of community service activities might be introduced in some of the human cases.
- The field officers keeping-book should include all the late payment cases to be later transferred to the legal book just after the last payment of these beneficiaries

11. Shifting and Rescheduling:

If one of the beneficiaries requested either shifting or rescheduling his installments due dates the loan committee should take the decision in such cases but after paying consideration to the following:

- The beneficiary's repayment pattern
- The cases which are granted this privilege should be limited to:
 - Illness or death of the beneficiary or one of his first kinship. Proofs from the concerned governmental institute should be submitted. Private doctors or pharmaceutical leaflet papers are not accepted
 - Disasters (fire, earthquake, sinking, theft) if ay of the previous occurred to either the residency or the activity locations of the beneficiaries. Documentary proofs should be submitted.
 - Official closing with documents
 - The beneficiary didn't pay the penalty on the previous installments
 - The beneficiary accepts to pay the price of this shifting or rescheduling
 - A new honesty receipt should be issued and signed by both the beneficiary and the guarantor

12. Conditions for the renewal of the loan

- The previous loan is fully paid in cash either all at once or with a proven punctual payment record.
- Three-quarters (75%) of the previous loan term had passed.
- The project has demonstrated indicators for success during its previous phase(s) and potentiality for continuity and expansion.
- The beneficiary isn't blacklisted.

Paying the due installments on time is a condition for accessing the loan next stage. However, some criteria entitle beneficiaries to request the second or third loan:

1. IF the ongoing activity needs more support to be consolidated, making sure that the beneficiary income does not exceed the amount set for accessing the loan,
2. IF the ongoing activity generates employment,

√ If the beneficiary meets the criteria, the Field Officer provides the beneficiary with the Repeated Loan Memo to be filled out.

√ A new feasibility study is conducted in order to assess the activity.

13. The conditions for the cancellation of the loan:

- Before the execution of the loan:
 - If it had been proved that the beneficiary doesn't deserve the loan due to intentionally hidden important information to the loan committee or he renounced it to another
- After the execution of the loan:
 - While following up the activities, if it had been proved that the beneficiary is wasting the money and the effort, he is to be asked legally to pay back the amount of the loan with its interest and the fees of the lawyer.

CHAPTER 3

PURCHASE AND INVENTORY

Chapter 3 – Purchase and Inventory

1. PURCHASE

1.1 Managing orders

The Board of Directors or the Executive committee can manage orders either by **General tender or Limited tenders**. The final decision lays with the Board of Directors.

1.2 Exercising Prices

Decision is up to:

- **Chairman**:

If it is within the range of LE 1,000 for construction material and LE 500 for any other

- **Executive committee**:

If it is within the range of LE 2,000 for construction material and LE 1,000 for any other

- **Board of directors**:

If more than the above mentioned amounts but doesn't exceed a limit of LE 5,000

1.3 Direct Order:

Decision is up to:

- **Chairman**: Not more than LE 50

- **Executive committee**: Not more than LE 100

- **Board of directors**: Not more than LE 150

*** It is legally prohibited to any of the CDA staff to give offers or trade proposals on any of the CDA tenders or bids or direct purchase orders.

1.4 PROCEDURES

1.4.1 General Tender

- The chairman composes a committee in order to decide the specifications of each requested item. They prepare a detailed report to be used as a reference.
- The bids are to be studied to check whether it matches the requirements or not, a sample could be requested labeled by its details (size, weigh, type, etc.,) the following should be

spelled out in front of all the offerers or their representatives, one by one: name of the offerer, attached price list and the contents then the bids are to be signed by all the committee members and the chairman then stamped by the CDA stamp;

- The committee is to prepare a report of the number of the bids envelopes checking that they all hold the stamp of the CDA to avoid cheating and give each a serial number
- One of the committee members is to be in charge of opening the envelopes and write a comparative list of all the details of each (price, offerer's conditions, remarks etc.)
- The envelopes are to be opened in the presence of the board of directors to decide the most applicable then the chairman is to approve the decision
- A timed purchase order is to be sent to the set upon bid;
- A committee is to be constituted including those who will be responsible of the delivered items, the warehouseman and a technician to check the delivered items then prepare detailed minutes mentioned in it the reason of either acceptance or rejection
- Before payment, a folder includes all the papers related to the tender should be in hand

*** If only one bid had been offered and it proved to be adequate, it could be approved

*** If two bids were identical in everything, the order could be split between the two offerers

1.4.2 Limited Tender

In which limited number of companies/offerers (not less than 3) are eligible to give their offers:

- √ The committee sends requests to them with the needed items;
- √ Set date for holding a meeting to choose the best offer;
- √ Decide the most applicable then ask the approval of the board of directors through submitting a detailed report on each offer.

1.4.3 Exercising Prices

√ An exercising committee composed of the board members or the general assembly members who are qualified technically, financially and legally, to give sound decision in the issue in hand. The CDA could find it more beneficially to ask the attendance of an outer party

- √ The committee is to prepare a details minutes of meetings contains the scenario, the matching degree of the offered items, the results (offerer's final bids 'prices and conditions') and the final decision of the committee then be submitted to the board of directors to approval signature
- √ The Committee could be in charge of deciding without referring to the board of directors but this entrustment should be written and this paper is to be attached to the folder that contains all the details of the bid.

1.4.4 Direct Order

- √ There should be reasons why a general or limited tender weren't held;
- √ The approval of either of the following is a must, each according to the authorities given to him: the chairman or the treasurer or the executive committee;
- √ The accountant or the cashier should sign the purchase minutes to assure that what is purchased is exactly what is required.

*** Tax authority should be informed with all the CDA transactions

2. Inventory

The warehouseman should work according to the rules and procedures stated in the bylaw

The warehouse includes: (All the stuff should be recorded in a registration book)

- √ Non worn-out stuff (e.g. apparatuses, safe-boxes, furniture, computers, magazines, newspapers, wood/steel stuff etc.) its users should be mentioned in the register book and is responsible of returning it;
- √ Worn-out stuff (e.g. stationary, applications, forms ...etc.)
- √ Books like (account books, check books etc.) should be the responsibility of its user
- √ A registration book should be made to each kind of the previous warehouse stuff
- √ each item is to be registered as follows:
 - i. Its serial number and description;
 - ii. Amount available, in date and in-document number;
 - iii. The used amount, out date and out-document number;
 - iv. The remaining amount.

*** An annual inventory of should be done by a committee the chairman composes, as follows:

1. The data of the remaining amount of each item is to be taken from the registration books mentioned above and prepared by the warehouseman;
2. The data is to be written in a minutes-list then signed by the warehouseman;
3. The warehouse is to be inventory of item by item then the quantity is to be registered in a dated minutes-list;
4. The head of the inventory committee signs the second minute-list;
5. A comparison is to be held between the two minutes-list and a report is to be prepared that contains the deficiency or surplus quantity in the warehouse items;
6. The head of the inventory committee comments on the comparison report and submit it to the board of directors or the executive committee;
7. The extra quantities are to be added to the warehouse stored items with an addition order and any deficiency is to be deducted with a written order.

CHAPTER 4

THE FINANCIAL SYSTEM AND ITS IMPLEMENTATION IN THE LOAN ACTIVITIES

Chapter 4 - The Financial System and its implementation in the loan activities

The financial system is collecting and organizing the financial information of the microcredit scheme in a way that enables the related parties that depend on such data to work efficiently. It is a tool that collects, summarizes and analyses the financial data of the credit activities unit, thus facilitating the process of measuring, planning and monitoring the unit activities.

The **main elements** of the financial system are:

1. Documents,
2. Books,
3. Internal Monitoring system,
4. Accounting Guide,
5. Periodical and Final reports.

(I) DOCUMENTS

▪ Internal Documents

Which had been issued inside the unit (e.g. cash receivable receipts, ledger book, cash-book, etc.)

▪ External Documents

Which the others had issued for the program ... to prove outer money dealings beside using them in balancing the account (e.g. purchase orders, maintenance bills, deduction and addition invoices etc.)

▪ Conditions of right documentation

1. Includes all the data that should be registered;
2. Indicates its purpose and its functions;
3. Indicates the internal monitoring process required to handle its pending issues.

(II) DOCUMENTATION BOOKS OF THE CREDIT UNIT

1. Analytic (Journal)

Where the economic transactions are registered on daily bases and arranged by date.

2. General ledger

Where the financial entries registered daily can be studied, classified and listed to be used efficiently. This is why General Ledger is to be taken as a transaction registration book organized in a categorical way, in other words, each CDA transaction is to be handled in a separate account, as for example:

- bank,
- safe box
- clients,
- revenue (analyzed),
- expenses (analyzed),
- debt accounts,
- fixed assets.

There are other available 8 required documents, 8 registration books for the clients:

- Safe box journal
- Cash book
- Invoices
- Money collection book
- Muster book
- Receipts

3. Rules and regulations for book- keeping

- to be in a good condition;
- to be the responsibility of the treasurer or of an employer either hired or delegated conditioned that he experienced in the financial field or of such tasks. He should as well be assigned to perform such tasks by the board of directions;
- No papers are to be torn from these books
- No erasing is allowed and everything written should be clear and not in between lines.
- Any modification should be signed by the responsible person of the books

4. Keeping duration

Books are to be kept for 15 years. It is not allowed to throw away them even after the previously mentioned period unless approved by the board of directors. The administration authority should be informed and a committee consists of the board of directors (the treasurer) and the administration authority should held a meeting and issue its minutes (as law states).

5. Functions of the accounting books

They are the responsibility of the treasurer or the person in charge with the consent and monitor of the board of directors.

6. Internal Monitoring system

Aims at setting rules and procedures that guarantee the protection of the assets of possessions of the credit unit. Also checking the accuracy and preciseness of the financial data, and its reliability in futuristic planning. It helps as well in predicting any danger thus solving it before any danger occurs.

The following are some hints that help assure sound monitoring:

- Cash responsibility is the treasurer's;

- Assets are to be registered in the Muster Book and is to be the responsibility of the keepers
- The registration of all the unit transaction;
- Registration in books depends on original documents;
- Accurate assets pricing;
- An accurate inventory of the assets, cheques and cash of the unit is the one recorded in the registration books.

7. Accounting guide

Is a list containing accounts names and numbers and is used by those who work in the financial dater. It is like a map in which all transaction are present under big titles than subtitles. It links all the CDA financial department staff.

It contains all kinds of accounts and all the details what facilitate finding any data or information needed for running the program.

It is a tool that is used to organize accounting data and facilitate its check up as it's categorized in a way that makes it efficiently used for running the unit.

It is prepared using the following steps:

1. Categorization
2. Numbering

1) Categorization

- Assets
- Liabilities
- Capital
- Expenses
- Revenue

A sub categorization is to be made to fit the needs of both the financial center and the revenue and expenses account.

2) Numbering

To facilitate registration of data preparation either to any if the CDA branches or to the headquarter, as it facilitate the handling of accounts and the data collection for the administration unit thus easier understanding it could be as follows:

<u>Account Name</u>	<u>Main Code</u>
Asset	100,000
Debtors	200,000
Capital	300,000
Expenses	400,000
Revenue	500,000

The numbers are to be classified in the sub categories, then analyzing the general accounts.

These reports could be of quantity or amount or data nature; each serves a function

ACCOUNT NAME	CODE	ACCOUNT NAME	CODE
<u>Capital</u>	300,000	<u>Assets</u>	100,000
Loan Grants	300,100	<u>Variable Assets</u>	
Operation Grants	300,200	Fund	100,100
Previous year results	300,300	Current Account	100,200
This Year Results	300,400	Cash Trust	100,300
Deductions	200,000	Deposit Account	100,400
<u>Liabilities</u>		<u>Debtors</u>	
Land Expenses	210,801	Borrowing clients (Basic)	130.100
Premises Expenses	210.803	Borrowing Clients (Interest)	130.200
Vehicles Expenses	210.807	Installments clients (Basic)	130.300
Furniture &Office Equipment	210.809	Installments Clients (Interest)	130.400
Bad Debt Expenses	210.900		
<u>Credit</u>		<u>Debit</u>	
Credits To Banks	230.100	Employees' Borrowings	140.100
Providers	230.200	Insurance	140.200
Dues	230.300	Predefined Expenses	140.300
Various Creditors	230.400		
Interest Under Collection	230.500	<u>Fixed Assets</u>	
		Land	150.100
		Premises	150.200
		Vehicles	150.300
		Equipments	150.400
		Furniture & Office Equipments	150.500

REVENUE & EXPENSES

ACCOUNT NAME	CODE	ACCOUNT NAME	CODE
Revenue	500.000	<u>Expenses</u>	400.000
Collected Interest	510.100	Salaries	420.100
Collected Penalty	510.200	Basic salary	420.101
Legally Collections	510.300	Work Allowance	420.102
Other Revenue	510.500	Transportation Allowance	420.103
		Bonus and incentive	420.104
		CDA Portion in the Insurance	420.105
		<u>General Expenses</u>	440.000
		Transportation	440.100
		Telephone, Fax , Mail	440.101
		Water & Electricity	440.102
		Rent	440.103
		Stationary & Printout	440.104
		Maintenance	441.101
		Training	441.102
		Banking	442.101
		Auditing	443.101
		Land	490.100
		Premises	490.101
		Vehicles	490.102
		Equipments	490.103
		Furniture	490.104
		Desks	490.200
		Bad debts	490.300
		Inflation	

8. Accounts reports

The accounting system is done in order to prepare the final accounts, periodical reports to whom it may concern. They are divided as follows:

- Periodical reports that give timely info (monthly, quarterly, annually), like financial menu as which summarize and shows the result of the work performed as well as the financial position;
- Reports that show the prospected financial results due to some futuristic plans (financial balance, budgets);
- Reports that show the engaging activities in comparison to the planned one to follow up analyze any deviation;
- Reports related to CDA donors;

These reports could be of quantity or amount or data nature; each serves a function

9. Closing balance

At the end of the year, each CDA should prepare its closing balance as follows:

1. Balancing the petty cash and deposit the reminder in the bank account;
2. Deposit the safe-book money and revenue for the bank account; a receipt should be taken as a document;
3. Inventory of the books that of figures nature and the issued or delivered cheques and the treasurer, the accountant and the person responsible of them sign on the inventory-report;
4. Composing a committee to inventory of what is registered in the loan unit books. The financial transactions should be revised (deduction, discounts, balance). A minutes should be prepared that contains any inconveniency, deficiency discovered and it to be submitted to the board of directors;
5. The treasurer should revise the current account bank statement with the data registered in the books; compares the actual account, write the one in the books prepares a settlement accounts in case of un-cashed cheques;
6. All financial statements should be kept in a separate folder;
7. The treasurer or who replaces him should check the horizontal and vertical calculating of the accounting books, or the sound expenses distribution on the various items;
8. Then, the closing balance is prepared and the new budget is to be estimated.

According to article number 84 for year 2002, any CDA whose its expenses or revenue exceeds LE 20,000, its board of directors should present them for revising to a certified auditor with the documents that proves the legality of its operations in order to prepare a report to be submitted to the General Assembly in their meeting... this is to be done at least one month before the meeting ... the auditor's report, the budget and the board of directors' report are to be submitted at least 8 days before the meeting date for approval.

10. Calculation of administrative fees

It is calculated as a percentage of the loan pricing and is used in covering the salaries, incentives, print-outs, stationary ...etc., as well as in facing the inflation rate, covering the bad-debts or those wrote-off ones, in addition to assure that the fund money is all used for the benefits of the targeted communities and at the same time it increases¹

$$AE = OLA * AE \% * LD$$

Where:

AE > Administrative Expenses

OLA > Original Loan Amount

LD > Loan Duration

The board of directors decides these administrative expenses in accordance with the donor and the monitoring authority in a way that guarantee the previously mentioned objectives.

11. Terms and conditions

▪ WRITE-OFF A LOAN

Depending on the new social study presented by the Field Officer, This is to be decided if:

- o Death of the beneficiary; his family is incapable and his activity stopped;
- o Illness of the beneficiary with serious disease that made him incapable of running his activity; (he should submit certified health report and a proof that there is no income source to cover his debt)
- o Complete Handicapping or deformity with a proof that there is no income source to cover his debt

The chairman should present such a case to the board of directors for approving the write-off decision. In such a case all the signed installment by the beneficiary and the guarantor are to be cancelled but kept in the beneficiary's file².

12. Repayment facilities

▪ GRACE PERIOD

The chairman can grant the beneficiary a grace period during the loan term that doesn't exceed 6 months duration (contiguous or separated). The beneficiary is asked to pay only the administrative expenses in these grace period months.

▪ RESCHEDULING

This is done rarely upon the approval of the board of directors. The beneficiary should submit written request. The administrative expenses of the rescheduling is to be calculated as follows:

▪ A completely unpaid loan:

$$DA * IR * RD$$

RD is calculated as follows:

¹ Because the number of loans increases so accordingly the money is increasing as the original amount of the loan is collected together with the loan pricing

² No deficiency in the budget should be caused due to such cases

The first Reschedule month is the one comes just after the last month of the original loan duration.

- **A partially paid loan:**

$$DA * IR * RD$$

RD is calculated as follows:

The first Reschedule month is the one comes just after the month of the last paid installment

- **Regularly paid loan (in-time) but suddenly faced problems:**

$$LRA * IR * DR$$

RD is calculated as follows:

The first Reschedule month is the one comes just after the month of submitting the rescheduling request.

Where:

DA > Due Amount (loan original amount + interest)

IR > Annual Interest Rate

RD > Rescheduling Duration

LRA > Loan Remaining Amount

The accountant should prepare a report at the end of every year listing in it all the loans that hadn't been paid for 12 months or more to be submitted to the board of directors for considering covering these loans from the allocated money ... if, in the future, this money had been collected or paid, they should be deposited in the bank.

13. Operational costs

PAP is responsible of financing the following in the credit unit in the CDAs working with them till they reach the break-even point:

- Furniture and equipments;
- Training;
- Operations.

*** Break-Even Point is the point where monthly revenue equals the monthly expenses.

- Furniture and equipments:

PAP buys fixed assets for the CDAs' credit units to serve the beneficiaries.

- Training:

PAP financing the capacity building of the CDAs staff:

- Board of directors;
- Accountants (financial system);
- Staff (SLTS);
- Policies and procedures;
- Development approaches (development specialist);
- Beneficiaries.

14. Financial policies and strategies

1. The credit unit keeps the previously mentioned accounting books;
2. Loans amounts are to be cashed from the bank account by issued cheques and an amount should be allocated as a petty cash for miscellaneous;
3. The board of directors nominate a person in charge;
4. The board of directors decide the amount of the petty cash, to be used in the following:
 - Daily small transactions conditioned that the receipts are revised by the treasurer before being approved by the board of directors;
 - Not in paying incentives or salaries.
5. The treasure or the nominated person cash the petty cash. Any surplus should be giving back before closing the annual balance. It is not [permitted to cash a new amount to be used for the same reason before settling the previous one];
6. In case of embezzling, the board of directors should be informed and legal actions should be taken;
7. The CDA should open two bank accounts for the transactions of the credit unit. One for loans and another for operational expenses:
 - **Credit account**
Used in depositing the transferred fund money allocated for credit activity and the money collected from the beneficiaries (installment amount – penalty – fees – any other revenues)
 - **Expenses account**
Used in depositing the transferred fund money allocated for operational costs (salaries, incentives ...etc.,) and fixed assets (furniture, equipments ... etc.,)

*** when the CDA reaches the break-even point, they use only one account

8. Any collected money should be deposited directly in the bank;
9. Any type of donations should be priced and registered in the appropriate book then efficiently used for the benefit of the credit unit;
10. Any purchased fixed asset is to be considered as a donation and should be accompanied with purchasing proof documents;
11. After reaching the break even point, the credit unit use not more than 40% of its revenue in financing the operational costs;
12. Any surplus is to be calculated at the end of the year and is to be used in the social interventions activities or enhancing the premises and it is to be calculated as the difference between the 40% operational costs and the cash expenses through the whole year.

15. Some accounting evaluation parameters

- **PLAYABILITY PARAMETER**

Not to be judged by how much had been paid and repaid during the year as expenses and revenue but by what is really related to this specific year. This is why a settlement at the end of the year is a must to balance this year specific expenses and revenue.

- **FINANCIAL PARAMETER**

Comparing expensing with revenue generally (not only those related to a specific year). This is why a settlement at the end of the year is a must to balance this year specific expenses and revenue.

- **MULTI-PURPOSED PARAMETER**

It is a combination of the previously mentioned two parameters: the first in calculating the expenses and the second in calculating the revenue. Which results in a better and more accurate comparison.

*** the last one is the highly recommended to be used

16. HANDLING BAD-DEBTS

3% is to be used annually for this purpose and is to be calculated as follows:

$(\text{Number of beneficiaries} + \text{number of active loans}) * 3\%$

The result is to be compared with the calculated amount of previous periods;

The difference (more/less) is to be registered in the appropriate accounting book;

*** If SLTS is used, its output is the one to be taken for granted

17. Handling inflation

3% is to be used annually for this purpose

18. Handling the perished fixed assets

It is to be covered using the 'flat fixed installment' way ... so each year liabilities will include the lost money due to perished assets. As the following:

ASSETS	ANNUAL PERISH %
Premises	5 %
Lands	2%
Equipments	20%
Furniture	10%
Transportation (bicycle)	20%

19. Handling taxes

1. Deducted from the repaid loans of the beneficiaries who run commercial or industrial activities: 1% on the activity and 3% on the performed work;
2. Deducted from the fees of consultancy and training: 10% for amount ranges from LE 10 to LE 500 and 15% for amount that is more than LE 500 ... conditioned that the consultant has a tax card if not; 20% is to be deducted from the total;
3. The program should submit tax forms number 40 and 41 recorded in them the total amount of tax deducted from the beneficiaries both trade and private business ones;
4. The tax collected money should be paid maximum by the end of the following months: April, July, October and January every year with a detailed report shows the amount deducted or collected from every beneficiary within the last three months.

CHAPTER 5

AN OVERVIEW OF THE SOCIAL ACTIVITIES

Chapter 5 – An overview of the social activities

1. Community Needs activities loan/grant cycle

Although PAP is a pure microcredit scheme, whose main contribution tool in alleviating poor life conditions is the revolving fund system. It had the chance, through its working years in Egypt, to identify other communities needs what made PAP diversifies its intervention techniques in fighting poverty to different fields such as:

- Tap water connections project
- Sanitation project
- Women oven boutagas
- Women identity cards (ID) projects
- Women birth certificate project
- School fees

1.1 Initiating the activity

The Social Pioneers, who are people from the community with a full understanding of its dynamics, are responsible to:

1. Sense the basic needs of the community members.
2. Identify a targeted group
3. Introduce the needs to the CDA board members.
4. CDA board members preliminary evaluate each proposed activity from a criticality and feasibility perspectives.
5. CDA forms a Community needs activity Committee for each suggested activity that is composed of a chief, 2 social pioneers and a Social loan officer. Some type of activities might require a technical expert as a fifth member in the committee.
6. Committees develop questionnaires to collect personal data but each is tailored according to the requirements of the various activities.

1.2 Promoting the activity

In this stage, the social pioneers should make the targeted group more responsively aware of their basic needs and the availability of getting help in a way that brings to their minds the benefits they can enjoy. This task is accomplished by:

- 1) Talking to people in gathering areas.
- 2) Conducting group meetings.
- 3) Paying home visits.

Then beneficiaries are asked to fill out the questionnaire of each activity they need with the help of the social female pioneer to be submitted each to its committee chief.

1.3 Planning the activity

1. Each Community needs activity Committee starts to schedule and analyze the questionnaire data in a way that facilitates the preciseness of the feasibility study.
2. Based on the assessment of the needs, the data is managed in a coherent work plan. (ex., narrowing search of the available services starting from the nearest main street to the smaller ones back to alleys).
3. The Social Loan Officer conducts the feasibility study.
4. Based on the feasibility study, the community needs activity committee develops a project proposal to be presented to the CDA board members their monthly meeting, that contains:
 - Brief Community and CDA profile
 - Problem definition
 - Problem statement
 - Problem consequences
 - The number of the direct beneficiaries.
 - The objectives/goals of the project:
 1. Final goals
 2. Intermediate goals and their indicators
 - Description of the activity:
 1. Brief Introduction
 2. The required budget
 3. Technical assistance
 - The implementation modalities and work-plan.
 - The institutional framework (Human Resources: roles and responsibilities.)
 - Project sustainability:
 1. The financial projection necessary for the financial sustainability.
 2. Technical sustainability
- ✓ CDA board members sign the approved Proposals.
- ✓ The signed proposal together with the minutes of the board of members meeting and a sample of the questionnaires are to be handed to the Central unit.

1.4 CDA - Central Unit Grant Agreement

- ✓ The project is studied and a re-evaluation is conducted.
- ✓ If the activity proved to be feasible, an agreement contract is bilingually formulated (English <> Arabic) with the following details:
 - The grant amount
 - Maximum grant amount/activity/beneficiary
 - The grant terms & conditions of payments
 - Incentives amount of the committee members
 - Incentive amount for the technical person if any
 - Number of Beneficiaries
 - Any additional allocated amounts to help more beneficiaries
 - The length of the contract.
 - The CDA opens a separate bank accounts/activity for the transferred cash from the Central unit.
 - The CDA submits three types of reports:
 1. A monthly financial report of expenditures to the central unit with its verifications (official receipts copies , valuation of the CDA/ community in kind contributions...and etc.) for the period of utilizing funds. The CDA will submit this report within 10 days after close of each month.
 2. A quarterly progress report, which includes the achievements constraints against the proposed project plans and the project goals . The report should be submitted to the central unit within 10 days after close of each quarter.
 3. A final progress to the central unit within one month after the grant has been fully expanded or within one month after the approved project activities have been completed .

The CDA will be required to reimburse the full remaining balance of funds already disbursed by the Central Unit under the following conditions:

1. If a balance of funds and/or materials exist after the completion of planned and the outlined in the approved budget.
2. If any balance of funds disbursed to the CDA by The Central Unit exists at the time of expiration and/or termination of this grant contract.
3. If at any time during the implementation of the grant or as a result of the final audit, it is determined by The Central Unit that a portion or all of the funds were utilized for purposes not in accordance with the terms of this grant contract, grant proposal and/or approved budget.

4. If the CDA fails to comply with its obligations as defined in the project proposal or in this grant contract.
 - Termination, cancellation and suspension: the grant may be terminated under the following conditions:
 - Termination:
 - a. If both parties agree that continuation of the grant wouldn't produce beneficial results.
 - b. For any reason beyond control.
 - Cancellation by request of either or both parties within 30 days period.
 - Suspension should either party fail to immediately meet its obligations and responsibilities.
- ✓ CDA staff roles and responsibilities.
- ✓ The contract is to be signed by the central unit representative and the CDA chairman, then officially stamped.

1.5 CDA – Beneficiary Agreement

1. The beneficiary should fill out an application form indicating his request to the CDA.
2. The CDA submits social and feasibility studies to the Regional Management Unit (RMU) to decide whether the fund of the activity is to be considered a loan or a grant.
3. If the social activity is a Loan, A contract is formed between the CDA and the beneficiary including the following terms of agreement:
 - The loan amount
 - The loan term
 - The added annual Administrative fees percentage to cover the following:
 1. Operational Cost
 2. Inflation Rate
 3. Loan loss reserve and bad debts
 - The due monthly installment
 - The Grace period
 - The execution date
 - Type of donation (in-kind or in-cash)
 - The amount the Beneficiary will contribute with.

- ✓ Loans are disbursed without formal collaterals but with two sub-collaterals :
 1. Guarantor:
 - long-standing relation with the beneficiary
 - Age between 21 to 60 years
 - Egyptian citizenship
 - Capable of backing the beneficiary
 - Fully aware of his legal responsibility
 2. Honesty receipt of the amount of the loan added to it the calculated interested rate against the beneficiary and the guarantor.
- ✓ If the Loan is disbursed In-Cash the beneficiary will be required to reimburse the full amount already disbursed by the CDA, if the money is improperly used.
- ✓ In case of delinquency, A 2% of the due installment principle is calculated non-accumulative as a penalty/day right on the first day of delay with a maximum sum of 30% on the remaining loan amount.

1.6 Loan/Grant Execution

- ✓ Issuing the check:
 - ✓ For each activity agreement, the Accountant prepares a check signed by the Chairman, the treasurer and the Expert. The check is issued in the name of the Cashier.
 - ✓ The Cashier signs a receipt to the accountant and cashes the check from the CDA activity bank account.
 - ✓ The cashier calls for each activity committee to prepare its implementation plan, to submit the best available offers and to form its purchase committee if the activity requires purchasing of materials.
- ✓ The Purchase committee:
 1. The Committee is composed of the chairman, the Social Field Officer, the cashier and the Social Pioneer. If required, a technical person may be asked to advice. The beneficiary is also involved in the purchase process.
 2. Based on the consultancy of the Technician (if any), the purchased materials are classified and determined.
 3. The Committee releases the minutes of the approved loan specifying the name of the beneficiary, the amount of each loan, the type of equipment or goods to be purchased and the beneficiary's due contribution amount.

4. Once the purchase is carried out, the cashier fills out the purchase minutes to be signed by the rest of the purchase committee as well as the beneficiary.

2. Start-up Activity

- ✓ Once all the materials are available, the activity starts up.
- ✓ Field Officer follows and monitors the implementation procedures.
- ✓ The beneficiary is repaying according to the repayment plan agreed upon in the borrowing agreement.
- ✓ The Accountant registers the loan financial transactions in the ledger and keeps track of the payment.

CHAPTER 6

CAPACITY BUILDING

Chapter 6 – Capacity Building

1. Introduction

The contemporary view of capacity-building goes beyond the conventional perception of training. The central concerns of environmental management - to manage change, to resolve conflict, to manage institutional pluralism, to enhance coordination, to foster communication, and to ensure that data and information are shared - require a broad and holistic view of capacity development. This definition covers both institutional and community-based capacity-building.

One of the key requirements in this regard is to recognize that the social whole is more than the sum of its individual components. People form social systems which provide for a range of needs not met through market transactions - households, communities of interest, locality and neighborhoods create networks of mutual obligation, care, concern, interest and even conflict (access to other points of view). In the development and organizational learning literature these networks, norms and trust which facilitate co-operation for mutual benefit are referred to as 'social capital'. Social capital can be thought of as the framework that supports the process of learning through interaction, and requires the formation of networking paths that are both horizontal (across agencies and sectors) and vertical (agencies to communities to individuals). The quality of the social processes and relationships within which learning interactions take place is especially influential on the quality of the learning outcomes in collaborative approaches. Taken one step further, this suggests that social capital plays an important role in fostering the social networks and information exchange needed to achieve collective action - and sustaining a social and institutional environment which is ready to adapt and change.

2. Poverty Alleviation & Employment Generation Program (PAP)

Capacity and institutional building are crucial components of PAP activities. Throughout its implementation, PAP has worked on strengthening the capacity of CDAs, program staff and MISA. Capacity building has focused on managing the program and acquiring a comprehensive vision of development while transferring analytical and critical skills aimed at understanding development dynamics and problems and fostering solutions.

Capacity building has been achieved working in partnership with all the stakeholders sharing know-how. In order to guarantee the good performance of the program and its sustainability, intensive vocational trainings have been carried out. Trainings focused on providing effective tools to manage the program and to deal with community development issues. Several trainings on management, accountability, feasibility studies for micro-enterprises, application of computer technology and Social Loan Tracking System, social assessment, participatory approach were conducted in the field and within the program. Induction courses covered the project cycle, including strategic planning, impact evaluation, English and project proposal writing.

A preliminary activity to identify training needs must be accomplished according to the work plan Program needs. Training sessions were held for the following beneficiaries:

- MISA staff
- PAP staff
- CDAs
- SECDA staff

3. MISA Capacity Building

MISA training and capacity building activities must be performed both at office level, as well as through the meetings with MISA staff and responsible Advisory Committee Meetings, Monitoring Committee, etc. The following training course must be arranged for MISA personnel:

1. Intensive Computer Courses;
2. Various Levels in English Language Courses conducted at PAP premises;
3. Feasibility Study;
4. Internet Mail training for senior officials;
5. Proposal Writing;
6. Credit Offices Development for MISA Experts;
7. Supervision modalities for MISA Experts;
8. Monitoring of credits through software (SLTS) for MISA specialists of MEU and MISA experts;
9. Accounting System course;
10. Law no. 84 and by law for development department CDA.s in directorate.

4. PAP Staff Capacity Building

Primary PAP activities aimed at increasing staff competencies through some computer courses, microcredit trainings and seminars on feasibility studies. Trainings must enable Pap staff to achieve a good efficiency, both at technical level, as well as the interpersonal communication which allow staff to have a direct approach with local community.

Training activities focused on: credit mechanisms, feasibility studies for micro-enterprises, application of computer technology, language competencies. Curricula of these courses must included:

1. Italian Language Course for IPU secretary;
2. Supervision Workshop for central team;
3. Management Skills for secretaries;
4. Monitoring and Evaluation;

5. Small business Administration Management for MEU personnel;
6. Computer Courses;
7. English Language Courses;
8. Impact program;
9. Internet Mail Training;
10. Report Writing;
11. Business plan.

5. CDAs Capacity building

To “graduate” and to manage their microcredit programs independently, CDAs received specific training.

The training for CDAs focused on many topics, aimed at enabling them to satisfactorily manage and expand their programs in the future. Some of the CDAs will receive indoor training at their respective sites and some of them will have outdoor raining. The Program provided training on feasibility studies for field officers.

Basically, PAP main objective has been to empower associations in the training sector both as training recipient as well as training providers.

PAP arranged the following training courses:

1. Credit Officers Development;
2. Management Skills for L.C. members and Chairman’s of the CDA.s;
3. Supervision Modalities;
4. Monitoring and Evaluation;
5. Intervention Methodologies in the Field for the loan committee members;
6. Computer Courses for field team;
7. Business plan;
8. Mushroom Cultivation for beneficiaries of the CDA.s;
9. Main Animal Diseases for credit beneficiaries of the CDA.s;
10. Accountability and book keeping for small shops and commercial activities;
11. Impact program for field team;

12. Vocational Training;
13. English Language Courses;
14. Strategic planning workshop for graduated CDA.s;
15. Policy and procedures;
16. Accounting System for the accountant of the CDA.s;
17. Gender and Development for the facilitators of the CDA.s;
18. New Horizon Program for the CDA.s;
19. Financial Planning workshop for CDA.s under graduation;
20. Law no.84 and by law for advisory committee members, board members and;
development department CDA.s in directorate;
21. Training on the S.L.T.S. for field team.

CHAPTER 7

SMALL ENTERPRISES

AND

COMMUNITY DEVELOPMENT

ASSOCIATION

(SECDA)

Chapter 7 -Small Enterprises & Community Development Association (Secda)³

1. Introduction

As stated in the introduction of this Manual, PAP aims at improve life conditions of poor people through helping them run small activities that guarantee to each of them sustainable and reasonable income. As a tool to promote socio-economic development, the Program employs:

- The Revolving Fund (Social component): please, refer to the Manual as a whole;
- The Guarantee Fund (Marked Oriented component): to help potential small entrepreneurs in having credit access for amount bigger of the Revolving Fund ones.

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 the tool of development to our community through micro - credit as an effective driving force in the poverty reduction and new creation process.

SECDA is registered as a new NGO under the Egyptian law of 32/1964 with number 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 enterprises sector through a network of the Community Development Associations (CDAs).

SECDA has the following specific objectives

1. To empower the Non-Governmental Organizations (NGOs) through the establishment of Micro and Small Enterprises Unit and to assist the NGOs in reaching the operational break-even point before the Program phase-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 creating new self-owned business, particularly among youth and women.

³ Please, note that the Manual focus on Revolving Fund only. This is a short presentation of SECDA and PAP Marked Oriented Component.

2. Board Members

SECDA is managed by its board members who are the highest decisional body. Board members are elected by the General Assembly, which is open to those who are willing to and have a commitment in the social sector. The General Assembly defines and addresses general policies of SECDA, approves the budget, and elects the Board Members. SECDA Board Members are a mixture of experience professionals in different economic sectors, with high experience in planning and management to follow up the implementation process through qualified executive staff that have been chosen carefully to better ensuring the achievement of SECDA objectives.

3. Partners

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 provided 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 Structural adjustment program. PAP responsibilities are assessing the training needs of SECDA, monitoring and follow up the loan disbursement and repayment, conduct and organize internal and external audits, in collaboration with the CGC for small scale enterprises.

The CGC, is responsible for identifying banks to provide a credit line to SECDA for the disbursement of loans with a leverage up to three times of the principal of the guarantee fund, at least LE 7.5 million.

4. Objectives

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 employing from one to six worker and having field capital value ranging from LE 2500 up to LE 40,000, excluding land and premises. Although all kind of business activities are favored, particular attention is given to manufacturing, artisan and services enterprises, as they are labor-intensive activities.

5. Activities

Among its activities, SECDA must:

- Provide loans to small and micro enterprises in collaboration with local and international organizations;
- Provide training courses and technical assistance to the beneficiaries;
- Help the beneficiaries in marketing their products, facilitating their participation in exhibitions and fairs
- Enhance the role of women in the community development;
- Organize workshops, seminars and meeting to exchange experiences and information with other organizations working in the field of development.

6. Client basic eligibility criteria

- Egyptian nationality working in Giza governorate;
- Age between 21 to 60 and having previous experience in his work field;
- Ability to run the business and create new jobs;
- Having no loan commitments with other program;
- Ability to create new jobs.
- Contribute with at least 25 per cent of the amount of the loan requested in assets or working capital

7. Loan Size

The loan range is 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 has a range along which the repayment periods are fixed. However, applications for repeated loans beyond the third cycle are taken into consideration, if needed, according to the feasibility study.

8. Repayment periods and schedules

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 project needed.

ANNEX I

LOOKUP

DICTIONARY

Annex 1 - Lookup Dictionary

Advisory committee A working group established at governorate level to provide the PAP with the feedback from the field level and acts as problem solver that analyses all possible solution to unforeseen circumstances. This objective is achieved through regular monthly meetings.

The composition includes:

1. The General director of the social development department of the governorate.
2. The district director of the working area
3. The social unit leaders of the working area
4. A delegate from the program

Applicant an eligible individual applying for funding under PAP through the submission of a PAP application.

Application a written document, in form and substance conforming to the requirements of this operating Manual, which outlines in detail the microfinance services program being proposed by an applicant for funding under PAP.

Beneficiary A generic term referring to an individual which has been awarded funding under the PAP through the signing of an agreement.

Institutional Capacity Building A periodical review of the institutional capacity and consider where they might make improvements. Institutional Capacity issues include topics such as the following:

- ✓ Business Planning.
- ✓ Product Development.
- ✓ Management Information system.
- ✓ Financial Management.
- ✓ Efficiency and Productivity Enhancement.

Central Management Unit is responsible for the management of the program, establishes its policies and strategies and checks on their correct implementation. It adopts a development strategy that follows the economical and social global and local indicators to define comprehensive poverty alleviation projects.

Community Development Association is the host of the micro enterprise unit to implement the market oriented component of the program

Community Needs Activities Services that focus on improving the well-being of micro-entrepreneurs.

Community Needs Activities Committee A composed committee per activity that is responsible of analyzing the data of the questionnaires collected from the prospective beneficiaries in order to develop a project proposal to be presented to the CDA board members. It prepares also the implementation plan of the activity, the feasibility study and submits the best available offers for purchasing.

Egyptian Director an agent responsible for coordinate, manage and control of the activity of the program jointly with the program coordinator, reports them to the competent Egyptian authorities and convokes the monitoring and the steering committees. In addition he/she is authorized to sign Grant agreement on behalf of the MISA and on behalf of the PAP.

Grant Agreement A legal instrument that governs the allocation of the Italian Grant funds and defines the role and responsibilities of both the countries (the donor country and the beneficiary country)

Italian Cooperation Agency The mission of Italy for International development in Egypt, which provides the funds for the PAP, approves the form and substance of this manual and has a non-voting representative on PAP committee.

Ministry of Insurance And Social Affairs is the cognizant Egyptian ministry of the PAP.

Monitoring Committee A working group monitors the activity on monthly basis. Its roles are as follows:

- ✓ Monitor the implementation process
- ✓ Check the pace of expenditures
- ✓ Check the reports
- ✓ Assess the behavior of consultants
- ✓ Monitor the monthly cash flows disbursement of the loan, the repayment of the installments
- ✓ Follow the training activities
- ✓ Monitor all the operational aspects.

The composition includes:

1. MISA under-secretary of state for Central Social Development department
2. A delegate of the Italian technical unit for development cooperation
3. The MISA under-secretary of the governorate
4. The Egyptian director and the Italian coordinator acting as secretariat

Poverty Alleviation and Employment Generation Program A six-year activity funded by the Italian cooperation agency and implemented by the Egyptian ministry of Insurance and Social affairs via a number of Community Development Associations.

Program Coordinator the legal representative of Italy in Egypt and is the authorized signatory for PAP for written communication with the Italian ministry of foreign affairs with respect to the Italian cooperation agency and for any Grant agreement which may be signed.

Regional Management Unit is responsible for granting consent to the loan/grant applications proposed by the loan committee, executing the strategies and operations defined by the central management unit, implement, following up and monitoring the credit and social activities within its governorate. In addition, it prepares the progress reports and perform regular visits to each CDA and meet regularly with the NMU staff for reporting.

Revolving Loan A development capital fund that finances business and private households that are unable to obtain enough financing from traditional sources. It is for financing, expanding and starting-up business development activities that assist with local economic development strategies. It allows a business to borrow up to its available limit. Beneficiary must repay his loan with additional calculated administrative fees. The money then is placed back into the fund for further usage.

Socialites Committee A group of influential honorable people who are highly trusted among their community.

Steering Committee The highest body in control of the program. They meet every six months for the following:

- ✓ Modify and approve the yearly and half yearly working plans and related budgets
- ✓ Approval of the annual and six months progress report and related statement of accounts
- ✓ Approval of the appointment or substitution of the program executives
- ✓ Assessment and evaluation of the performance of the implementing agencies, the local offices, the consultants and the banks
- ✓ Issues concerning the correct program addressing raised by any member of the committee

The composition includes:

1. MISA under-secretary of state (co-chairman)
2. One representative of the Italian Embassy (co-chairman)
3. MISA under-secretary of state for Central Social Development department
4. MISA under-secretary of governorate
5. The Italian desk-officer in charge
6. One representative of the Italian local technical unit for development co-operation
7. The Egyptian director and the Italian coordinator acting as secretariat