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**IMPACT ASSESSMENT STUDY
OF THE
FAMILY DEVELOPMENT FUND, EGYPT**

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This document is in two parts. Part I is the Impact Assessment Study of the Family Development Fund (FDF), a UNICEF supported microcredit programme in Egypt. Part II is the FDF Management Plan 1998-2000, developed as a result of the assessment and other information. The Management Plan provides a detailed assessment of the financial performance, including the financial statements, and institutional structure of the FDF. The combination of the two parts in one document is intended to cover aspects of impact, financial and institutional issues, and indicate the action plan proposed as a result of the impact assessment. UNICEF Egypt has also produced a video of the FDF borrowers.

This impact assessment has been carried out by Dr. Monawar Sultana, Consultant, with the support of Ashok Nigam, Policy Adviser, Division of Evaluation, Policy & Planning, UNICEF New York, Fatima Khafagy, Head, Gender in Development, Adel Adly, Assistant Project Officer, and the participation of officers working in the Family Development Fund. The impact assessment was conducted over the period 18 March - 17 April 1998. Dr. Ashok Nigam, who had earlier visited all the four Governorates in which FDF is operating, joined the team for the data analysis phase and for drafting and finalising the final study report. The results of the impact assessment were shared with government counterparts, donor agencies and NGOs at a workshop organised in Cairo on 15 April 1998. This report reflects the view of the authors and not necessarily that of UNICEF.

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Ashok Nigam

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List of Acronyms

BRAC	Bangladesh Rural Advancement Committee
CDA	Community Development Association
CIDA	Canadian International Development Agency
CRS	Christian Relief Services
DANIDA	Danish International Development Agency
EDHS	Egypt Demographic and Health Survey
FAO	Food and Agriculture Organisation
FDF	Family Development Fund
FDF-HSS	Family Development Fund – Household Sample Survey
LE	Egyptian Pounds
MOSA	Ministry of Social Affairs
NBD	National Bank for Development
NGO	Non-Governmental Organisation
NSB	Nasser Social Bank
ORDEV	Organisation for Rural Development
ORT	Oral Rehydration Therapy
SFD	Social Fund for Development
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development

Exchange rate: 1US\$ = 3.39 Egyptian Pounds

Executive Summary

The Family Development Fund (FDF), initiated by UNICEF in 1993, is underway in three Governorates in Upper Egypt (Asyut, Suhag, Qena) and in one in Lower Egypt (Alexandria). UNICEF has invested US\$455,000 for the loan capital and operating costs of the FDF. In Upper Egypt, the FDF is operating in 21 villages or district centres covering over 3100 borrowers. The objective of the FDF is to improve the socio-economic conditions of low income, asset-less women and their families through (a) provision of credit for small/micro enterprises to create opportunities for self-employment and income generation; and (b) the promotion of an integrated package of social services that aims at improving the beneficiaries overall quality of life.

Prior to further expansion of the FDF, UNICEF Egypt decided to do an assessment of the achievements to date and the improvements needed in order to enhance its impact and ground FDF on solid foundations. This study aims at: (a) ascertaining the effectiveness of the targeting mechanism; and (b) measure the changes in the economic condition - health, nutrition and education status - of the FDF programme beneficiaries. The study gathered primary data to analyse the impact of the FDF programme on the socio-economic situation and well being of the FDF borrowers. A combination of quantitative and qualitative data gathering methods were used: (i) individual interviews with structured questionnaire for FDF borrowers and others who have not received FDF loans, (ii) focus group interviews with the centre members, and (iii) case studies on individual borrowers.

While the impact assessment has adopted the approach of comparing both before and after situations and those with a control group, any changes that are observed, positive and negative, can not be attributed to the FDF programme interventions alone. The impact assessment simply tells us what are the differences or changes in the lives of the borrowers in comparison to the before and after situation and in comparison to non-borrowers with a similar socio-economic profile to the borrowers before they received a first loan. The changes can be due to a number of dynamic factors operating at the community and household level. Causality for these changes is difficult to establish. At the same time, the viability of a credit operation should not be judged on the basis of financial measures alone. In the context of development many additional measures are relevant.

An assessment of the programme activities indicates the following findings:

- ◆ FDF has been able to develop a successful model in microcredit using grassroots level community based organisations - called Community Development Associations (CDA). FDF is managed by the CDA at relatively low cost and with minimum bureaucracy.
- ◆ UNICEF has invested US\$355,000 in the FDF in Upper Egypt where the per capita income in both rural and urban areas is \$500, although in the villages where FDF is operating it is considerably lower. This amounts to about \$115 per household or \$19 per capita, with the initial loan capital still intact. The loan sizes vary from \$50 to \$400. It is estimated that this has resulted in marginal net increase in the per capita income of the borrowers' families of about 20%, but the return on the capital invested by UNICEF, measured in terms of the net additional income of all the borrowers, i.e. after repayment of their loan and related expenses for generating the income, is significant at about 200%.

- ◆ FDF has managed to reach mostly the very poor, although there are other poorer families in the community who do not borrow for various reasons. However, a majority of the borrowers of the FDF come from the older age groups. The granting of flexible size loans has helped the FDF to reach the very poor and has been responsive to their changing situations.
- ◆ The process of group formation has brought women together from similar socio-economic backgrounds and helped to build solidarity among them. But the groups are not sufficiently well developed and independent to take initiatives in terms of tapping other facilities and resources available outside the FDF programme. This is in part a reflection of the fact that the FDF has been operating for only four years and the groups have not yet received any formal training on group management, record keeping, structured social awareness messages and information on other services with the exception of health and nutrition. Capacity building of the group's internal management is critical for long term sustainability and enhanced impact of the FDF.
- ◆ FDF has successfully instituted the group savings programme for the borrowers. However, the amount of savings per borrower at present is low.
- ◆ Productive activities undertaken by the programme include cattle rearing, small trading, handicrafts etc. Most of the loans disbursed are for cattle rearing except in the Farshoot district where there is scope for small trading and other informal sector activities.
- ◆ Focus group interviews with the individual borrowers suggest that credit has been helpful in creating income earning sources for women. Income from the credit activities is mostly spent on children's education and family subsistence. While the credit activities have created an income earning source for women, it has not provided most women with a steady source of income. Women involved in the informal sector activities have expanded their business whereas those involved in cattle rearing have secured additional income only when they sell their cattle. However, a small number of women are able to own cattle, which they do not have to sell to repay the loan, after more than three loans. In comparison, the situation of the non-borrowers in the control group remains unchanged.
- ◆ After taking the loan the number of borrowers whose children did not go to school dropped from 23% to 16% and the number who were sending their children for wage labour outside the home dropped from 28% to 17%. The increased income of the women contributes to withdrawal of children from wage labour and their enrolment in school. Most borrowers, however, prefer to educate their sons rather than their daughters.
- ◆ After participating in the FDF and utilising the loan, more borrowers contributed to the family income than non-borrowers. The increase in income of the women has positive implications on child nutrition and education of children. Focus group interviews suggested that women spent the additional income primarily on family food needs and

children's education.

- ◆ The greatest impact of the FDF was observed on improvement of the knowledge of the families about health and nutrition. It appears that even the marginal additional income and training on health and nutrition programme has a positive impact on family food consumption pattern - 21% of the borrowers' families eat fish/chicken/meat twice a week in comparison to 15% of the non-borrowers' families. The training has also helped borrowers to gain knowledge on nutrition, first aid, diseases and treatment of diarrhoea - 87% of the borrowers use ORT compared to 63% of the control group; 68% are aware of Aids compared to only 48% of the control group. Television has been a major source of information on AIDS followed by the awareness programme in FDF.
- ◆ After being involved in the FDF programme, 37% of the borrowers have installed latrines in their homes. Positive results of the FDF's personal hygiene message are also observed, with almost 93% keeping soap next to their domestic water source. Most of the borrowers still lack the additional money needed to pay the capital cost of a household water connection.
- ◆ Participation of the women in the literacy training programme is low because of: (a) household work load; (b) literacy class is far away from home; (c) nine months course is too long.
- ◆ Women's mobility has increased, since they have participated in the FDF's programme. Access to credit has provided women with greater say in the family decision-making on matters such as buying food and other items for the family. Almost half of the borrowers (46%) said that their relationship with their husbands has improved and 76% said that their husbands listen to them more than before. However, almost all the women said that their income is kept by their husbands.

Overall:

The FDF has offered the poor the opportunity to earn a living, not charity. The socio-economic situation of the poor women borrowers in the FDF has improved in comparison to what it was prior to taking loans and is better than that of the non-borrowers in many respects. Continued credit is needed to sustain the increases in the income of the borrowers' families. In the short-period of time, the FDF has essentially provided a safety net, preventing the poor from falling further behind and reduced their poverty in different ways – with the potential for reducing income poverty over a period of time. The most important contribution to the reduction of poverty is seen in terms of the access of the poor to basic needs – additional food and better health and nutrition.

For enhancing impact, credit needs to be complemented with access to and utilisation of other basic social services such as primary schools. This will allow achievement of

impacts on a broad set of social indicators sooner rather than later. Credit alone is also insufficient to empower women within a short period, but it has laid the foundations for it and for improved access to basic social services. Continued support for the expansion of the FDF programme is warranted.

Recommendations:

- In order to meet UNICEF's objectives of improving the condition of the children, more emphasis should be given to target women from the younger age group. This is not to suggest that poor women borrowers without children under 14 years of age should not receive credit since the formation of groups has to be seen in the context of the community relations.
- In order to make the groups economically viable and socially self-reliant, there is a need to further develop their internal management capacity for long term sustainability and greater impact.
- To ensure qualitative long term empowerment of the group members, social awareness and gender training should be incorporated in all aspects of the FDF programme. There should be a compulsory adult literacy training programme for the group members during the centre meeting.
- Income generating activities should be diversified. The income generating schemes should be developed on women's traditional skills and occupations which have greater chance of providing viable income than those which require training in new skills. Those schemes that build on women's traditional skills and are geared to local markets generally prove less complicated to manage.
- An analysis of the basic social services available in the different FDF locations may be carried out with a view to developing a plan for better integration with credit.
- Additional credit for meeting the capital costs of water and sanitation facilities should be considered.
- For expansion and long term sustainability, the capacity of the CDA should be further strengthened in areas such as identifying and bringing more of the poorest within the ambit of the FDF, and the management and monitoring of a set of financial and social indicators such as primary school attendance of both boys and girls.
- The FDF should be expanded first in the existing villages to meet the demand for credit by the poor before moving into the new areas.
- The project staff and the extension officers are the front line of the delivery mechanism. Their role and capacities will determine the cost effectiveness and the coverage of FDF.

The capacity of the project staff and the extension officer should be further strengthened through training of trainers in areas such as social awareness, child rights, gender and adult literacy, and motivating the group members. Their capacity should also be strengthened to monitor a limited set of impact indicators such as primary school attendance, particularly of girls.

RÉSUMÉ

Le Fonds de développement de la famille, créé par l'UNICEF en 1993, est en place dans trois gouvernorats en Haute-Égypte (Asyut, Suhag et Qena) et dans un gouvernorat en Basse-Égypte (Alexandrie). L'UNICEF a investi 455 000 dollars des États-Unis pour le capital d'emprunt et les dépenses d'exploitation du Fonds. En Haute-Égypte, le Fonds est implanté dans 21 villages ou centres de district où il dessert plus de 3 100 bénéficiaires. Il a pour objet d'améliorer les conditions socioéconomiques des femmes ayant de faibles revenus ou ne possédant pas de biens ainsi que celles de leur famille a) en fournissant des crédits à de petites entreprises ou des microentreprises qui créent des possibilités de travail indépendant et rémunérateur; et b) en oeuvrant à la promotion d'un ensemble intégré de services sociaux visant à améliorer la qualité générale de la vie des bénéficiaires.

Avant d'élargir l'action du Fonds, le Bureau de l'UNICEF en Égypte a décidé de procéder à une évaluation des progrès accomplis et des améliorations à apporter en vue d'en accroître l'efficacité et de l'asseoir sur des bases solides. L'étude vise a) à déterminer quelle a été l'efficacité du mécanisme de ciblage; et b) à mesurer l'évolution de la situation économique santé, nutrition et éducation des bénéficiaires du programme exécuté par le Fonds. Elle a permis de réunir des données de base utiles à l'analyse des effets du programme sur la situation socioéconomique et le bien-être des intéressées. Pour ce faire, on a conjugué des méthodes de collecte de données quantitatives et qualitatives : i) entrevues individuelles s'appuyant sur un questionnaire structuré s'adressant aux bénéficiaires d'un prêt du Fonds et aux personnes non bénéficiaires, ii) entrevues avec des groupes cibles menées par des membres des centres et iii) études de cas concernant des emprunteurs individuels.

L'étude d'impact a consisté en une comparaison de l'évolution de la situation des emprunteurs avant et après obtention du prêt et de celle d'un groupe témoin, mais les changements observés, qu'ils soient positifs ou négatifs, ne sauraient être imputés aux seules interventions du Fonds. L'étude met simplement en évidence les différences ou les changements constatés dans l'existence des bénéficiaires avant et après l'octroi du prêt et dans celle des autres individus ayant un profil socioéconomique analogue à celui des bénéficiaires avant que celles-ci n'aient obtenu leur premier prêt. Les changements peuvent être dus à un certain nombre de facteurs dynamiques opérant à l'échelon de la communauté et au niveau des ménages. La cause de ces changements est difficile à établir et, au demeurant, la viabilité d'une opération de crédit ne saurait être jugée sur la seule base de mesures financières. Dans le contexte du développement, de nombreuses autres mesures entrent en ligne de compte.

Une évaluation des activités du programme permet de dégager les résultats suivants :

- Le Fonds de développement de la famille a réussi à mettre en place un modèle efficace de microcrédit en faisant appel à des organisations communautaires locales dénommées associations pour le développement communautaire. Le Fonds est géré par ces associations à relativement peu de frais et avec un minimum de bureaucratie.

- L'UNICEF a investi 355 000 dollars des États-Unis dans le Fonds en Haute-Égypte, où le revenu par habitant, tant en zone rurale qu'en zone urbaine, est de 500 dollars; cependant, dans les villages où opère le Fonds, ce revenu est considérablement inférieur : 115 dollars par ménage, soit 19 dollars par habitant avant utilisation du capital emprunté. Le montant des prêts consentis va de 50 à 400 dollars. On estime que, dans les familles des bénéficiaires, le revenu par habitant a enregistré une augmentation marginale nette d'environ 20 %, tandis que le rendement du capital investi par l'UNICEF, mesuré par le revenu supplémentaire net de tous les bénéficiaires c'est-à-dire après remboursement de leur emprunt et des dépenses connexes est de l'ordre de 200 %.
- Le Fonds est parvenu à toucher surtout les très pauvres, bien qu'il existe des familles encore plus démunies qui n'ont pas recours à l'emprunt pour diverses raisons. Toutefois, la majorité des bénéficiaires du Fonds font partie des groupes de population les plus âgés. L'octroi de prêts d'un montant variable a permis au Fonds de toucher les très pauvres et d'adapter son action à l'évolution de leur situation.
- La formation de groupes a permis de réunir des femmes issues de milieux socioéconomiques analogues et d'établir une solidarité entre elles. Les groupes ne sont cependant pas suffisamment développés et indépendants pour prendre l'initiative de solliciter d'autres facilités de crédit ou de mobiliser des ressources autres que celles du programme du Fonds. Cela reflète en partie le fait que le Fonds n'est en place que depuis quatre ans et que les groupes n'ont pas encore reçu de formation structurée sur la gestion de groupe et la tenue des livres comptables, et ne savent pas encore quels sont les autres services offerts, sauf dans le domaine de la santé et de la nutrition. Le renforcement de la capacité de ces groupes en matière de gestion interne est indispensable à la viabilité à long terme du Fonds et au progrès de son action.
- Le Fonds a mis en place avec succès un programme d'épargne de groupe à l'intention des emprunteurs. Toutefois, pour l'heure, le montant de l'épargne par emprunteur demeure faible.
- Les activités productives menées dans le cadre du programme comprennent l'élevage bovin, le petit commerce, l'artisanat, etc. La majorité des prêts octroyés concerne l'élevage bovin, sauf dans le district de Farshoot, où le petit commerce et d'autres activités du secteur non structuré sont possibles.
- D'après les réponses fournies par les emprunteurs individuels, l'octroi de crédits a permis de créer des sources de revenus pour les femmes. Ces revenus servent en majorité à pourvoir à l'éducation des enfants et à la subsistance de la famille. Si les activités de crédit ont créé une source de revenus pour les femmes, la majorité d'entre elles ne bénéficie pas pour autant de revenus stables. Celles dont les activités sont liées au secteur non structuré ont vu leurs affaires prospérer, tandis que celles qui se livrent à l'élevage de bovins n'ont obtenu un complément de recettes que lors de la vente de leur bétail. Toutefois, un petit nombre de femmes parviennent à devenir propriétaires d'un cheptel qu'elles n'ont pas à vendre pour rembourser leur emprunt

après plus de trois emprunts. Par comparaison, la situation des non-bénéficiaires du groupe témoin demeure inchangée.

- Après l'obtention du prêt, le nombre des bénéficiaires dont les enfants n'étaient pas scolarisés est tombé de 23 % à 16 % et le nombre de ceux dont les enfants exerçaient un emploi salarié à l'extérieur a chuté de 28 % à 17 %. L'augmentation du revenu des femmes favorise la scolarisation des enfants, qui n'ont plus à exercer un emploi salarié. Toutefois, la plupart des bénéficiaires préfèrent scolariser leurs fils plutôt que leurs filles.
- Après avoir participé au Fonds et utilisé le prêt octroyé, les bénéficiaires ont été plus nombreuses que les autres catégories à contribuer au revenu familial. L'augmentation du revenu des femmes a des retombées positives sur la nutrition et l'éducation des enfants. Les entrevues avec les groupes cibles semblent indiquer que les femmes consacrent l'essentiel de leur surcroît de revenu à la satisfaction des besoins alimentaires de leur famille et à l'éducation de leurs enfants.
- L'effet le plus marquant de l'action du Fonds a été l'amélioration des connaissances des familles en matière de santé et de nutrition. On constate que le revenu supplémentaire marginal et le programme de formation sur la santé et la nutrition eux-mêmes ont un effet bénéfique sur les habitudes alimentaires familiales : 21 % des familles de bénéficiaires consomment du poisson, du poulet ou de la viande deux fois par semaine, contre 15 % pour les familles des non-bénéficiaires. La formation dispensée a également permis aux bénéficiaires d'acquérir des connaissances sur la nutrition, les premiers secours, les maladies et le traitement de la diarrhée.
- 87 % d'entre elles ont recours à la réhydratation par voie buccale, contre 63 % dans le groupe témoin; et 68 % sont conscientes des dangers du sida, contre 48 % seulement dans le groupe témoin. La télévision a été une source essentielle d'information sur le sida, suivie par le programme de sensibilisation du Fonds.
- Après avoir participé au programme du Fonds, 37 % des bénéficiaires ont installé des toilettes à leur domicile. Les informations sur l'hygiène personnelle dispensées par le Fonds ont eu également des effets positifs : près de 93 % des bénéficiaires ont du savon à proximité de leur source d'approvisionnement en eau. La plupart d'entre elles ne disposent toujours pas des fonds supplémentaires qui leur permettraient de faire l'investissement d'un raccordement au réseau en eau.
- Le faible taux de participation des femmes au programme d'alphabétisation s'explique par les facteurs suivants : a) la charge de travail domestique; b) l'éloignement du lieu des cours; c) la trop longue durée du programme de cours (9 mois).
- La mobilité des femmes a augmenté depuis qu'elles participent au programme du Fonds. L'accès au crédit leur a conféré un plus grand pouvoir de décision au sein de la famille en ce qui

concerne notamment l'achat de denrées alimentaires et autres articles. Près de la moitié des bénéficiaires (46 %) ont indiqué que leurs relations conjugales s'étaient améliorées et 76 % que leur conjoint les écoutait davantage qu'auparavant. Toutefois, presque toutes les femmes interrogées ont précisé que c'était leur conjoint qui gardait leur revenu par-devers lui.

Bilan :

Le Fonds de développement de la famille a permis aux pauvres de gagner leur vie plutôt que de s'en remettre à la charité. La situation socioéconomique des femmes pauvres qui ont emprunté auprès du Fonds s'est améliorée dans le temps et elle est meilleure, sous bien des aspects, que celle des femmes qui n'ont pas eu recours à l'emprunt. Il est nécessaire d'assurer un flux continu de crédit pour soutenir l'augmentation des revenus des familles des bénéficiaires. À court terme, le Fonds a essentiellement servi de filet de sécurité aux pauvres et a permis de réduire leur indigence de diverses manières en leur offrant la possibilité d'accroître leurs revenus au bout d'un certain laps de temps. La satisfaction des besoins de base des pauvres (plus de nourriture, une meilleure santé et une meilleure nutrition) semble être la contribution la plus importante du Fonds à la lutte contre la pauvreté.

Pour améliorer les résultats du Fonds, il faudra compléter l'octroi de crédit par l'accès à d'autres services sociaux de base tels que les écoles primaires. Ceci se répercutera tôt ou tard sur un vaste ensemble d'indicateurs sociaux. Par ailleurs, le crédit à lui seul ne suffit pas à démarginaliser les femmes à brève échéance, mais il a ouvert la voie à leur autonomisation et a facilité leur accès aux services sociaux de base. Autant de raisons de continuer à appuyer l'élargissement du programme du Fonds.

Recommandations :

- En vue d'atteindre les objectifs de l'UNICEF concernant l'amélioration de la situation des enfants, il faudrait privilégier l'action en faveur des femmes jeunes, ce qui ne veut pas dire pour autant qu'il n'y ait pas lieu d'octroyer de crédits aux femmes pauvres qui n'ont pas d'enfant de moins de 14 ans, dans la mesure où la formation de groupes doit être envisagée dans le contexte des relations communautaires.
- Pour permettre aux groupes d'être économiquement viables et socialement autonomes, le renforcement de leur capacité de gestion interne est indispensable à la viabilité à long terme et à la réalisation de meilleures performances.
- En vue d'assurer à terme l'autonomisation des membres des groupes, il conviendrait d'incorporer la sensibilisation sociale et une formation dans une perspective de promotion de la femme à tous les volets du programme du Fonds. Il faudrait instituer un programme d'alphabétisation des adultes obligatoire pour les membres des groupes, lors des réunions des centres.
- Les activités rémunératrices devraient être diversifiées. Ces activités devraient être conçues en

fonction des compétences et des occupations traditionnelles des femmes, lesquelles ont de meilleures chances de générer des revenus durables que celles qui nécessitent une formation à de nouvelles aptitudes. Les schémas qui incorporent les compétences traditionnelles et sont adaptés aux marchés locaux s'avèrent généralement moins complexes à gérer.

- On pourrait mener une analyse des services sociaux de base disponibles dans les divers lieux d'implantation du Fonds en vue d'élaborer un plan permettant de mieux les intégrer aux services de crédit.
- Il faudrait envisager l'octroi de crédits supplémentaires afin de couvrir le coût de l'investissement dans des installations de distribution d'eau et d'assainissement.
- Afin d'assurer une expansion et une durabilité à long terme, il faudrait renforcer plus avant les capacités des associations de développement communautaire de manière que celles-ci soient mieux en mesure d'étendre le bénéfice du Fonds à un plus grand nombre de personnes démunies, et qu'elles puissent gérer et contrôler tout un ensemble d'indicateurs financiers et sociaux, dont la scolarisation dans le primaire des enfants des deux sexes.
- Le Fonds devrait en premier lieu renforcer son action dans les villages où il est actuellement implanté de manière à répondre aux besoins de crédit des pauvres, avant de l'étendre aux nouvelles zones. Les agents engagés au titre de projets et les agents des services de vulgarisation sont le fer de lance du système de prestation de services. Leur rôle et leurs moyens d'action détermineront la rentabilité et le champ d'action du Fonds. Il conviendrait de renforcer les capacités de ces agents en formant des formateurs dans des domaines tels que la sensibilisation sociale, les droits des enfants, la démarginalisation des femmes et l'alphabétisation des adultes, et en motivant les membres des groupes. Il faudrait également leur donner des moyens accrus de suivre l'évolution d'un petit nombre d'indicateurs d'impact tels que la scolarisation dans le primaire, notamment celle des filles.

Resumen ejecutivo

El Fondo de Desarrollo de la Familia, iniciado por el UNICEF en 1993, ya está en funcionamiento en tres gobernaciones del Alto Egipto (Asyut, Suhag y Qena) y en una del Bajo Egipto (Alejandría). El UNICEF ha invertido 455.000 dólares de los EE.UU. en capital para préstamos y gastos de funcionamiento del Fondo. En el Alto Egipto, el Fondo realiza actividades en 21 aldeas o centros distritales y abarca a más de 3.100 prestatarios. El objetivo del Fondo es mejorar las condiciones socioeconómicas de la mujer de bajos ingresos y sin recursos, y de su familia, mediante: a) la concesión de crédito a empresas pequeñas o microempresas con el propósito de crear oportunidades de empleo por cuenta propia y generación de ingresos y b) la promoción de un conjunto integrado de servicios sociales destinados a mejorar la calidad general de vida de los beneficiarios.

Antes de ampliar más el Fondo, la oficina del UNICEF en Egipto decidió realizar una evaluación de los progresos alcanzados hasta la fecha y de las mejoras necesarias para aumentar la influencia del Fondo y dotarlo de una base firme. Este estudio tiene por objeto: a) comprobar la eficacia del mecanismo para llegar a los grupos beneficiarios y b) medir los cambios en la condición económica, la situación en materia de salud, nutrición y educación de los beneficiarios del programa del Fondo. En el marco del estudio, se reunieron datos primarios para analizar las repercusiones del programa del Fondo en la situación socioeconómica y el bienestar de los prestatarios. Se utilizó una combinación de métodos para reunir datos cuantitativos y cualitativos: i) entrevistas personales con un cuestionario estructurado para los prestatarios y otras personas que no hubiesen recibido préstamos del Fondo, ii) entrevistas de grupos de discusión con los miembros del centro y iii) estudios de los casos de distintos prestatarios.

Si bien en la evaluación de los efectos se adoptó el criterio de comparar la situación antes y después del préstamo y ello a su vez con la situación del grupo de control, los cambios que se observan, tanto positivos como negativos, no pueden atribuirse exclusivamente a las actividades de programa del Fondo. La evaluación de las repercusiones sólo indica las diferencias o modificaciones en las vidas de los prestatarios al comparar la situación anterior y posterior y frente a la situación de personas que no sean prestatarias y tengan características socioeconómicas análogas a las de los prestatarios antes de recibir su primer préstamo. Los cambios pueden deberse a diversos factores dinámicos presentes a nivel de la comunidad y la familia. Es difícil establecer la causalidad en relación con esos cambios. Al mismo tiempo, no debe juzgarse la viabilidad de la operación de crédito únicamente en base a medidas financieras. En el contexto del desarrollo hay muchas otras medidas que resultan pertinentes.

La evaluación de las actividades del programa indica los resultados siguientes:

- El Fondo ha logrado desarrollar un modelo satisfactorio de microcrédito trabajando junto con organizaciones comunitarias de base llamadas asociaciones de desarrollo de la comunidad. Las asociaciones administran el Fondo a un costo relativamente bajo y con un mínimo de burocracia.
- El UNICEF ha invertido 355.000 dólares de los EE.UU. del Fondo en el Alto Egipto, donde

los ingresos per cápita en las zonas tanto rurales como urbanas son de 500 dólares, aunque en las aldeas donde desarrolla actividades el Fondo son considerablemente menores. Ascenden a unos 115 dólares por familia ó 19 dólares per cápita, sin tener en cuenta el capital del préstamo inicial. Los préstamos oscilan entre los 50 y los 400 dólares. Se calcula que han producido un incremento neto marginal en los ingresos per cápita de las familias de los prestatarios de aproximadamente un 20%, aunque el rendimiento del capital invertido por el UNICEF, medido en función de los ingresos netos adicionales de todos los prestatarios, después del pago de los préstamos y los gastos conexos para generar los ingresos, es considerable, pues asciende aproximadamente el 200%.

- El Fondo ha logrado alcanzar sobre todo a las personas muy pobres, aunque existen otras familias más pobres en la comunidad que no solicitan préstamos por diversas razones. Por otra parte, la mayoría de los prestatarios del Fondo pertenece a los grupos de mayor edad. La concesión de préstamos por montos flexibles ha ayudado al Fondo a incluir a personas muy pobres y a adaptarse a sus situaciones cambiantes.
- Mediante el proceso de formación de grupos se ha reunido a mujeres con características socioeconómicas análogas y se ha ayudado a fomentar la solidaridad entre ellas. No obstante, los grupos no están lo suficientemente bien desarrollados ni son tan independientes como para tomar la iniciativa para aprovechar otros servicios y recursos disponibles fuera del programa del Fondo. Ello se debe en parte al hecho de que el Fondo sólo lleva cuatro años en funcionamiento y a que los grupos no han recibido aún formación sobre la conducción de grupos, registros, mensajes de concienciación social estructurados e información sobre otros servicios, a excepción de los de salud y nutrición. El aumento de la capacidad de gestión interna del grupo es imprescindible para la sostenibilidad a largo plazo y para el incremento de la influencia del Fondo.
- El Fondo ha establecido con éxito el programa de ahorro en grupo para los prestatarios. No obstante, en la actualidad el monto de los ahorros por prestatario es bajo.
- Las actividades productivas realizadas por el programa abarcan la ganadería, el comercio a pequeña escala, la artesanía, etc. La mayoría de los préstamos concedidos se dedican a la ganadería, a excepción del distrito de Farshoot donde se pueden realizar actividades de comercio a pequeña escala y otras actividades del sector no estructurado.
- Las entrevistas de los grupos de discusión con distintos prestatarios revelan que el crédito ha ayudado a crear fuentes de generación de ingresos para la mujer. Los ingresos derivados de las actividades emprendidas gracias al crédito se dedican principalmente a la educación de los hijos y a la subsistencia de la familia. Si bien las actividades relacionadas con el crédito han creado una fuente de generación de ingresos para la mujer, no han proporcionado a la mayoría de las mujeres una fuente constante de ingresos. Las mujeres que se dedican a actividades del sector informal han ampliado sus negocios, mientras que las que se dedican

a la ganadería sólo han obtenido ingresos adicionales cuando venden su ganado. Sin embargo, después de más de tres préstamos un número reducido de mujeres logra ser propietaria de su propio ganado, que no tiene que vender para pagar el préstamo. Frente a ello, la situación de las personas del grupo de control que no solicitaron préstamos permanece igual.

- Después de recibir el préstamo, el número de prestatarios cuyos hijos no asistían a la escuela se redujo del 23% al 16% y el número de prestatarios que enviaba a sus hijos fuera de casa en busca de trabajo asalariado se redujo del 28% al 17%. El aumento de los ingresos de la mujer contribuye a que disminuya el número de niños que se dedica a trabajo asalariado y que aumente la matrícula escolar. No obstante, cabe señalar que la mayoría de los prestatarios prefiere educar a sus niños y no a sus niñas.
- Después de participar en el Fondo y utilizar el préstamo, un mayor número de prestatarios que de no prestatarios contribuye a los ingresos de la familia. El aumento en los ingresos de la mujer tiene efectos positivos en la nutrición y educación de los niños y niñas. Las entrevistas con grupos de discusión revelan que la mujer gasta sus ingresos adicionales principalmente en satisfacer las necesidades alimentarias de la familia y en la educación de los hijos e hijas.
- El mayor impacto del Fondo se observó en el mejor conocimiento de las familias sobre la salud y la nutrición. Parece que incluso el aumento marginal de los ingresos y la capacitación en el marco del programa de salud y nutrición tiene un efecto positivo en la modalidad de consumo de alimentos de la familia ? el 21% de las familias de los prestatarios come pescado, pollo o carne dos veces por semana frente al 15% de las familias de quienes no han solicitado préstamos. La capacitación también ha ayudado a los prestatarios a adquirir conocimientos sobre nutrición, primeros auxilios, enfermedades y tratamiento de la diarrea ? el 87% de los prestatarios utiliza la terapia de rehidratación oral frente al 63% del grupo de control; el 68% de los prestatarios tiene conocimientos acerca del SIDA frente a sólo el 48% del grupo de control. La televisión, seguida por el programa de concienciación del Fondo, ha sido una fuente importante de información sobre el SIDA.
- Después de participar en el programa del Fondo, el 37% de los prestatarios ha instalado letrinas en su hogar. También se observan resultados positivos del mensaje sobre higiene personal del Fondo, pues casi el 93% de los prestatarios coloca jabón cerca de su fuente de agua doméstica. La mayoría de los prestatarios aún no dispone de suficiente dinero para pagar el costo que representa la instalación de su propia conexión de agua en el hogar.
- La participación de la mujer en el programa de alfabetización es baja debido a que: a) el volumen de trabajo en el hogar es elevado, b) las clases de alfabetización se dictan lejos del hogar y c) el período de duración del curso, de nueve meses, resulta demasiado largo.

- La movilidad de las mujeres ha aumentado desde que participan en el programa del Fondo. El acceso al crédito ha mejorado el papel de la mujer en cuanto a la adopción de decisiones familiares sobre cuestiones como la compra de alimentos y otros artículos para la familia. Prácticamente la mitad de las prestatarias (el 46%) dice que la relación con su marido ha mejorado y el 76% dice que su marido la toma más en cuenta que en el pasado. Sin embargo, casi todas dicen que el marido administra los ingresos obtenidos por su mujer.

Generalidades

El Fondo ha ofrecido a los pobres la oportunidad de ganarse la vida en lugar de recibir caridad. En muchos aspectos, la situación socioeconómica de las prestatarias pobres del Fondo ha mejorado en comparación con lo que era antes de recibir el préstamo y es mejor que la de las personas que no solicitaron préstamos. Se necesita un crédito constante para mantener los aumentos en los ingresos de las familias de los prestatarios. En un período breve de tiempo, el Fondo ha proporcionado esencialmente una red de protección social que ha impedido que los pobres cayeran más profundamente en la pobreza y ha mitigado su pobreza de diversas maneras, con posibilidades de reducir con el tiempo la pobreza de ingresos. La contribución más importante a la reducción de la pobreza se ve en función del acceso de los pobres a las necesidades básicas, vale decir, más comida y mejores condiciones de salud y nutrición.

Para aumentar los efectos, es preciso que se complemente el crédito con el acceso a otros servicios sociales básicos como las escuelas primarias, y la utilización de estos. Así se obtendrán resultados más rápidos respecto de un conjunto amplio de indicadores sociales. Además, el crédito por sí solo es insuficiente para habilitar a la mujer en un período breve, aunque le ha servido de base y permitido un acceso mayor a los servicios sociales básicos. Se justifica que se siga apoyando la ampliación del programa del Fondo.

Recomendaciones

- Con miras a la consecución de los objetivos del UNICEF de mejorar la condición del niño, debe darse más énfasis a alcanzar a las mujeres más jóvenes. No quiere decir que no deba concederse crédito a las prestatarias pobres sin hijos menores de 14 años de edad, puesto que es preciso que se vea la formación de grupos en el contexto de las relaciones comunitarias.
- Para que los grupos sean económicamente viables y socialmente autónomos es necesario desarrollar más su capacidad de gestión interna con miras a la sostenibilidad a largo plazo y a la obtención de mayores resultados.
- Para garantizar a largo plazo una mayor capacidad de acción de los miembros del grupo, deben incorporarse la concienciación social y la capacitación en materia de género en todos los aspectos del programa del Fondo. Se debe organizar un programa obligatorio de alfabetización de adultos para los miembros del grupo durante la reunión del centro.

- Conviene diversificar las actividades de generación de ingresos. Deben desarrollarse sistemas de generación de ingresos en los que se aprovechen los conocimientos y ocupaciones tradicionales de la mujer que tengan mayores posibilidades de proporcionar ingresos viables que los que requieren capacitación en esferas nuevas. Por lo general, los sistemas que se basan en los conocimientos tradicionales de la mujer y se orientan hacia los mercados locales, son menos difíciles de dirigir.
- Se podría realizar un análisis de los servicios sociales básicos disponibles en las diferentes localidades donde desempeña actividades el Fondo con miras a desarrollar un plan para una mejor integración con los servicios de concesión de crédito.
- Deben examinarse otras posibilidades de crédito para hacer frente a los gastos de infraestructura de las instalaciones de abastecimiento de agua y saneamiento.
- Con miras a la expansión y la sostenibilidad a largo plazo, es preciso que se refuerce la capacidad de las asociaciones de desarrollo de la comunidad en esferas tales como la selección, la incorporación de un mayor número de los más pobres en el ámbito del Fondo y la gestión y vigilancia de un conjunto de indicadores financieros y sociales como la asistencia a la escuela primaria tanto de los niños como de las niñas.
- Conviene que en primer lugar, se amplíe el Fondo en las aldeas ya atendidas a fin de satisfacer la demanda de crédito de los pobres antes de extenderse a zonas nuevas.
- El personal de proyectos y los oficiales de divulgación se encuentran en la primera línea del mecanismo de ejecución. Su función y capacidad habrá de determinar la eficacia en función del costo y el alcance del Fondo. Es preciso que se refuerce más la capacidad del personal de proyectos y de los oficiales de divulgación mediante la capacitación de instructores en esferas tales como la concienciación social, los derechos del niño, el conocimiento de los derechos de la mujer y la alfabetización de adultos, así como la motivación de miembros de grupos. También debe aumentarse su capacidad para vigilar un conjunto limitado de indicadores de los resultados, como la asistencia a la escuela primaria, sobre todo de las niñas.

1. INTRODUCTION

UNICEF's involvement with credit programmes for the poor in Egypt dates back to 1986 with its support for the Rural Women's Project of the Ministry of Social Affairs. While this project was successful in extending credit to the poor, it was found that it did not reach the poorest because of the requirement for collateral.

In 1992, UNICEF initiated the adoption of elements of the Grameen model in Egypt through the National Bank for Development (NBD) in Qena Governorate. The NBD did not adopt the group-based system of lending but as a result of UNICEF's initiative, including the provision of initial seed capital for loans and operations costs of US\$ 100,000, it undertook to lend small loans to the poor without collateral.

The NBD charges an interest rate significantly higher than the market rate. It has limited outreach into the rural areas and does not necessarily target the poorest, particularly women. Because of these drawbacks, UNICEF Cairo shifted its attention to working with NGOs, i.e., community development associations (CDAs) in order to extend outreach to the poorest and lower the cost of borrowing. This initiative, which started in 1993 as the Family Development Fund (FDF), is underway in three Governorates in Upper Egypt (Asyut, Suhag, Qena) and one in Lower Egypt (Alexandria). In Upper Egypt, the FDF is operating in 21 village or district centres. UNICEF has invested US\$455,000 in this initiative. The Organisation for Rural Development (ORDEV), a government body, invested a further US\$30,000 in FDF in 1997 on the basis of full recovery of the capital amount after one year. This was successfully accomplished in 1998.

The objective of the FDF is to improve the socio-economic conditions of low income and asset-less women and their families through (a) provision of credit for small/micro enterprises to create employment opportunities for self-employment and income generation; and (b) the promotion of an integrated package of social services (including primary health care, education, water and environmental sanitation) that aim at improving the beneficiaries' overall quality of life.

An external assessment, primarily of the operation and loan repayment record, carried out in 1996 by a manager from Grameen concluded that the FDF had been a success and that UNICEF's support should be continued (Biswas, 1996). Towards the end of 1996 UNICEF Cairo entered into agreements to provide technical support for the extension of the FDF model through the Nasser Social Bank (NSB), the Social Fund, and the government through ORDEV in existing areas of UNICEF support and other rural areas. In total these agreements would have amounted to an investment of US\$6 million, which primarily comprise of lending by the NSB with technical support from UNICEF.

An internal review carried out in 1997 suggested that large scale expansion, without additional human resources, would severely affect the capacity of the UNICEF country office to support the FDF and there was a need to clarify the nature of technical support that UNICEF could provide to other programmes such as the NSB. Support for other initiatives in the form of sharing FDF's approach for replication in a few other locations was suggested. Prior to further expansion of the FDF itself, it was recommended that the institutional linkages of the present model should be strengthened to root it more closely in national institutions or non-governmental organisations for its long-term management and sustainability. Key operating and performance indicators were identified for monitoring the FDF. It was also recommended that an impact assessment study should be carried out to assess whether the FDF was meeting its objectives and identify the improvements that should be incorporated (Nigam 1997). This impact assessment and the accompanying Management Plan 1998-2000 are among the follow-up activities from the earlier reviews.

1.1 Purpose of the impact assessment

In view of the number of actors involved in Egypt in microcredit, two issues that have arisen are: (i) the particular contribution of FDF with an identification of UNICEF's niche, and (ii) the impact of FDF. The 1997 review noted that, in comparison to other microcredit programmes in the country, UNICEF's FDF model had a niche in reaching the very poor women. On the second point, it has commonly been noted that one of the successes of the FDF has been its ability to target the poorest of the poor. This common observation had, however, not been examined systematically, in part because the programme was in its infancy.

Prior to further expansion of the FDF, UNICEF Cairo, therefore, decided to take stock of the achievements to date and identify the improvements needed in order to enhance its impact and ground FDF on solid foundations. This study, therefore, aims at (a) ascertaining the effectiveness of the targeting mechanism; and (b) measuring the changes in the economic condition, health, nutrition and education status of children of the FDF's programme beneficiaries.

The specific objectives of this impact assessment are to:

- (i) Examine the extent to which the FDF programme has accomplished its objectives and the effectiveness of the approach, including the competence of the FDF staff in managing the programme.
- (ii) Evaluate and measure the impact of the FDF programme in the economic, education, health and social status of its beneficiaries and their families.
- (iii) Provide recommendations on any modifications that need to be made to enhance FDF's impact on the target women and children.

In order to examine the changes in the lives of the borrowers, the impact assessment has adopted the following basic approach.

- Before and after situation. The changes should be assessed overtime - before and after the provision of credit and other interventions brought along with credit. A number of changes in the short term can contribute to long term structural changes i.e. changes which have a lasting effect.
- Comparison with a control group. Comparison of the participants with a control group from the community with similar socio-economic characteristics but who did not receive credit and other interventions brought along with credit – comparing those with and without credit.
- A qualitative assessment. A qualitative assessment of impact through focused interview of a small number of borrowers and various persons involved at the national, Governorate and local-level in implementing FDF.

On the basis of the above quantitative and qualitative assessment and discussions with government counterparts and NGOs, this study provides a set of recommendations for enhancing the impact of FDF.

At the very outset it is important to indicate an important qualification to such impact assessment studies. Rarely does development take place as a result of a single intervention. The dynamics of poverty reduction and the changes in the lives of the poor are the result of a complex interaction of a number of factors.

While this impact assessment has adopted the approach of comparing both before and after situations of the borrowers and with a control group, complemented with a qualitative assessment through focus group discussions, any changes that are observed,

The dynamics of poverty reduction and the changes in the lives of the poor are the result of a complex interaction of a number of factors. Credit alone is not sufficient for improvement in the social indicators.

positive or negative, cannot be attributed to credit alone. The impact assessment simply tells us some of the differences or changes. But causality for these changes is difficult to establish. Moreover, often it is not credit alone that is responsible for the changes but rather the additional support activities and initiatives taken by the borrowers on their own that help to achieve impacts earlier rather than later.

Because a number of variables make an impact on the well-being of borrowers, designing an impact assessment study has often posed many challenges. Detailed scientific studies are costly and would ideally require large sample sizes. Both of these were constraints in this case. Instead, it was felt that what was needed was a study based on a representative sample in which the quantitative analysis is complemented by a qualitative

assessment through focus group discussion and individual interviews with the primary objective of identifying the strengths and weaknesses of the FDF and providing recommendations for enhancing its impact on the lives of the borrowers. If the lives of the borrowers before and after receiving credit and in comparison to the control group are seen to have improved, then it may be possible to associate some of these achievements to the credit component of the FDF.

The results presented in this study, therefore, must be considered in light of the above qualifications. The study has primarily concentrated in analysing the available data from the structured survey and the qualitative information gathered. This basic information would allow the implementers of the programme to develop a more in-depth understanding of the reasons for these results, their credibility and further actions required.

Section 2 provides a brief description of poverty and the situation of women and children in Egypt with a discussion of other microcredit programmes in Egypt, drawing in large part from the earlier review carried out by UNICEF in 1997. Section 3 provides some of the key features of the FDF. Section 4 gives the detailed methodology. Section 5 provides the findings of the impact assessment study derived from both the quantitative and qualitative assessment, including those related to administration and management. Finally, Section 6 synthesises the insights gained by summarising the strengths and weaknesses of the FDF model and provides recommendations for enhancing its impact.

2. THE CONTEXT OF POVERTY & THE SITUATION OF WOMEN & CHILDREN IN EGYPT

The percentage of population living below the poverty line in Egypt in 1990/91 was estimated at around 35% of the total population (19 million people). The incidence of poverty has increased in both urban and rural areas between 1981/82 and 1990/91 from 30 and 28 % to 36 and 34% respectively. Between 1991-93 the share in income of the poorest 20% of the population fell from 7.4% to 5.9% while the income of the richest 20% rose from 42.3% to 45.1%. The poor are usually occupied in marginal activities and low wage work or unemployed. Most of them are either illiterate or with low education level. The poor pay relatively more for their food but consume less (Egypt Human Development Report, 1996).

Poverty has increased in both urban and rural areas.

Poverty in Egypt varies considerably across the Governorates. The highest incidence of poverty is in Upper Egypt with 48% of households living below the poverty line and almost 30% considered as being ultra poor. Ultra poor are defined as those whose expenditure is less than one third of the average household expenditure in urban (LE1934/\$570) and rural areas (LE2186/ \$645). In 1991, the ultra poor accounted for 63 %

(or 12 million) of the people below the poverty line.

Rural poverty is higher than urban poverty in Upper Egypt and the Frontier Governorates. The average per capita income of the rural population of the Upper Egypt is half that of urban areas. The urban Governorate of Alexandria and Suez, however, have poverty levels similar to that of many of the poorest regions of Upper Egypt. The highest percentage of ultra poor are in the Governorates of Menya, Suhag, Asyut, Fayoum, Beni-Sweif, Qena, Alexandria and Suez.

The UNDP Human Development Reports introduced other definitions and measurements of human poverty and deprivation, such as the Capability Poverty Measure (CPM). The capability approach for measuring poverty is based on a) the proportion of children under five who are underweight, b) the proportion of births unattended by doctor and/or trained nurse /midwife, and c) the proportion of female household population age six and over who has no education. The Egypt Demographic and Health Survey (EDHS) provides data for estimating capability poverty at the national and regional levels in Egypt. It suggests that capability poverty is generally higher than income poverty in Egypt. While 23% of the total population in Egypt suffer from income poverty, 34% fall in the category of those poor in capabilities. The poverty measured by CPM is considerably higher in rural areas than urban areas (Egypt Human Development Report, 1996). The capability approach to the measurement of poverty indicates that Egypt's urban and rural areas suffer not only from economic disparities, but also lack of access to basic social services.

Poverty in Upper Egypt

A study conducted by the Egypt Social Fund for Development (SFD) in 1992 indicates significant disparities in the levels of development between the Governorates of Upper and Lower Egypt. The people of Upper Egypt -in particular those who live in satellite villages or in households headed by women - have lower incomes and less access to essential services such as health care, education, clean water supply and sanitation. Remote satellite villages account for approximately 30% of the national population.

The remote villages of Upper Egypt suffer from a severe lack of social services. The SFD study also indicates that 89% of the rural population of Upper Egypt may be considered "extremely poor" compared with only 33% of the rural populations of Lower Egypt. UNICEF's 1988 study of the state of Egyptian children showed higher levels of malnutrition in Upper Egypt than in Lower Egypt; lower primary school enrolment and greater illiteracy; lower immunisation coverage and access to safe water; and high rates of child, infant and maternal mortality. The government has taken several steps to alleviate poverty but the number of poor has not declined and by some recent estimates may in fact have increased during the liberalisation phase when expenditure on subsidies and other social safety nets

have been reduced. To combat poverty in rural areas initiatives are being taken by the government through the "Sherouk" programme of integrated rural development which is now being implemented in almost one-third of the villages of the country and by the end of the century is expected to cover 4,800 villages in Egypt.

Situation of Women in Egypt

The situation of the Egyptian women like the situation of women in other developing countries differs according to social class, geographical region and prevailing customs and traditions.

Marriage is essentially universal in Egypt. Women marry at an early age, the legal minimum age for girls is 16, but 26% of all rural women married between 1980-1984 were under 16 years. Fourteen per cent of all marriages of girls under 15 years ended in divorce.

The low education level of women and the disparity with men, makes them further vulnerable to economic and social pressures. The 1995 EDHS shows that 83% of Egyptian men had attended school compared to only 65% of women. Significant regional differences exist in the educational status of women. In this respect, certain Governorates such as Qena, Suhag, BeniSuef, Fayoum and Kafr-El-Sheikh lag behind. Also, the illiteracy rate among women is higher at 45% in urban areas and 77% in rural areas (Egypt, Human Development Report, 1996).

Indicators of women's health status illustrate one of the most important aspects of their vulnerability. Maternal mortality rate is relatively high in Egypt (174 per 100,000 live births) with a higher incidence among the poor and illiterate. The 1992 EDHS indicates that 73% of the deliveries are undertaken at home. Upper Egypt has the highest ratio for home deliveries, especially among women at the lower socio-economic level.

Female economic participation is concentrated in two sectors: agriculture and services. Studies in Lower Egypt have shown that half of all wives plowed and levelled the land, and between 55 and 70% were involved in agricultural production. In Upper Egypt, between 34 and 41% of the women are involved in agricultural production and 75% were engaged in animal husbandry (UNICEF, The Situation of Women, 1995).

Unemployment rate is higher among women than men in Egypt. Labour force participation rate among women who have been married is low. According to the 1992 EDHS, only about 15% of the women were currently working for cash. A significant number of women, almost two-thirds of working women, in rural areas work within the family both inside-and-outside the home.

Working conditions of the women in the informal sector are poor. Women work long hours. Even the minimum sanitary and safety regulations are lacking. There are few crèches available for working mothers which make their employment in the formal sector difficult. Women in the informal sector do not have trade unions and legal protection and do not enjoy any labour rights. Women enter the informal labour market with no education, no training, and no work experience.

Another factor impacting on poverty is the number of female headed households in the country. About 18% of all households are headed by women. A larger percentage of rural households in Upper Egypt are headed by women than in Lower Egypt and a significant number of children live in poverty.

Although there has been a significant decline over the years, yet over 6% of infants die by age 1 and 50% of these deaths are neonatal. By the age of five, about 8% of children die. About 84% of boys but only 74% of girls aged 6-15 are currently enrolled in primary or intermediate school (The Egyptian Family, 1995).

2.1 Microcredit Programmes in Egypt: an update

There are several microcredit programmes operating in Egypt. Support for microcredit is provided by organisations such as Christian Relief Services (CRS), USAID, FF, UNICEF, CIDA, DANIDA, CARE, NOVIP, UNFPA, Social Fund for Development, FAO, Arab League, MIC, National Council for Negro Women, ORDEV, National Bank for Development and Nasser Social Bank. Table 1 provides a summary of the various credit programmes operating in Egypt.

Some of the programmes supported by the donors provided relatively small size loans in an effort to target the poorest women such as in the Ministry of Social Affairs' Productive Family Project and Rural Development Focus and Women Headed Households (WHHs) implemented by an NGO, ADEW. The National Bank for Development also provides small size loans but does not necessarily target women. A review of microcredit programmes in Egypt by Farah (1997) concluded that "majority of the microcredit programmes are not addressed towards the goals of poverty alleviation but rather to expand and support the small business sector. Many of the programmes are directed to already established business. The lowest women's participation is in the "Sherouk" project implemented by ORDEV. Farah concludes that UNICEF's Family Development Fund is the only programme focusing on women with over 90% of borrowers being poor women. The following is a brief description of some of the microcredit programmes in Egypt.

"majority of the microcredit programmes are not addressed towards the goals of poverty alleviation but rather to expand and support the small business sector".

Table 1: Microcredit Programmes in Egypt

PROGRAMME	IMPLEMEN- TING AGENCY	DONOR	REGION	AVERAGE LOAN SIZE	EFFECTIVE INTEREST RATE
Agricultural Credit	PBDAC	USAID, FF, UNICEF, SFD	Rural and Urban Governorates	L.E. 200- L.E. 25000	4% to 14%
Small Enterprise Credit	NBD	USAID, FF, CIDA, DANIDA	Cairo, Minya, Qena, Luxor, Sharkia, Damietta	L.E. 250- L.E. 1000	24% Market Rates + Admin. Costs
Small and Micro Enterprises	ESED & PVOs	USAID	Cairo, Alex., Port Said, Asyut	L.E. 2800	Market Rates
Family Development Fund	NGOs	UNICEF, NASSER BANK	Alex., Qena, Suhag, Asyut	L.E. 200- L.E. 1500	16%
Small Scale Industries	NBD	DANIDA	Aswan	Short term L.E. 1000-2500 Long Term L.E. 25000- 100000	Market Rates
Growth in Small & Micro Enterprises	PVOs	USAID, CARE	Suhag, Qena, Aswan, Fayoum	L.E. 2500	Market Rates
Credit Guarantee Corporation	Medium Businesses	USAID	Rural & Urban	L.E. 50000- 700000	Market Rates
Credit to WHHs	ADEW	FF, NOVIP	Manshiet Nasser/Cairo	L.E. 250	18%
Credit for Self-Employed & Small Enterprise	CEOSS	National Council for Negro Women	Menya, Asyut, Metropolitan Governorates	L.E. 1500- 15000	2% less than market rates
Small Projects	CARITAS	USAID		L.E. 2200	
Credit to Univ. Graduates	YES	MIC, SFD	Cairo		12%
Street Food Vendors	SFVO	CRS, FF	Menya, Suhag, Cairo	L.E. 800-1000	24%

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Ministry of Social Affairs (MOSA'S) MICROCREDIT PROGRAMMES

PROGRAMME	IMPLEMENTING AGENCY AND STARTING DATE	DONOR	REGION	AVERAGE LOAN SIZE	EFFECTIVE INTEREST RATE
Productive Family Project	MOSA (1977)	*SFD *Nasser Bank *Contributions *Others	National Coverage	L.E. 500-1200	10%
Rural Women Development Focus WHHs	MOSA (1982)	UNICEF	Aswan, Qena, Suhag, Asyut, Beheira	L.E. 500	10%
Rural Women Training in Development. & Population	MOSA (1987)	UNFPA	Giza, Menoufia, Kafr El Sheikh	L.E. 600	
Rural Women Training in Basic Life Skills	MOSA (1987)	ILO	Gharbia, Minya	L.E. 500	
Women's initiatives	MOSA (1991)	CIDA	Qena, Aswan	Bank Credit L.E. 1120 Projects L.E. 30,000	12% to 18%
Rural Women Increased Consciousness	MOSA (1995)	Arab League		L.E. 3000	
Dev. Of Women's Role in Food Production	MOSA (1988)	FAO	Sharkia, Fayoum, Beni-Sweif	L.E. 575	

Social Fund for Development: Microcredit programmes up to September 1996

PROGRAMME	CREDIT LE	% OF TOTAL CREDIT	AVERAGE LOAN SIZE	BENEFICIARIES	% FEMALES
COMMUNITY DEVELOPMENT	34,381,370	4.7	L.E. 1220	35585 (39%)	36.0
PROJECT DEVELOPMENT	866,533,535	95.3	L.E. 15840	54708 (61%)	24.5
TOTAL	909,914,905	100.0	L.E. 10077	90294	30.0

Source: Nigam (1997) summarised from Farah (1997)

Social Fund for Development

The Social Fund for Development (SFD) was established in 1991. At the end of

1996, it had funds amounting to US\$746.4 million. Its community development programme, which constituted 12% (US\$86.8 million) of the total, has a microcredit window. Larger loans are provided through the project or enterprise development programme. The amount provided for microcredit to date under the community development programme is LE34.3 million (US \$ 10 million) with an average loan size of LE 1220 (US\$365) (Ministry in Social Affairs in Farah, 1997). There are about 36,000 borrowers, 36% of whom are women. SFD has tended to provide employment to men and social services to women.

The SFD took a conscious policy decision in 1998 to expand the community development programme in the direction of microcredit for the poor. SFD has a programme to provide LE90 million (US\$26 million) for microcredit for the poor. During 1998, the planned disbursement is LE48 million through 120 community development associations (CDAs). Each CDA will receive LE280,000 (\$82,500) as capital for lending and LE60,000 (\$18,000) for administration and building capacities in equal proportion. The loan size will be LE500-1000 (\$150-\$200) in the first round rising to LE1500 and LE2000 in subsequent rounds. The CDA will be allowed to charge an interest rate of 8% of which 2% is to be returned to the SFD annually as part repayment of the initial capital. In addition, the SFD expects to fund NGOs for imparting health and literacy to the communities and to build the capacity of the CDA's.

SFD funds are used to complement the government's budget for human development activities such as eradication of illiteracy, and basic health services to women. The project based approach of SFD to poverty alleviation and employment generation excludes those who cannot work and those who are too poor such as elderly people, poor unskilled women and the disabled. This group of people may also be deprived from enjoying the benefits of social services and basic infrastructure provided by SFD activities as the poor lack the means necessary to participate. The emphasis on demand-based projects presents a number of obstacles to the participation of the ultra-poor.

The National Programme for Integrated Rural Development (Sherouk)

The Organisation for the Reconstruction and Development of the Egyptian Village (ORDEV) initiated a comprehensive rural development programme - Sherouk. This programme integrates credit and basic minimum needs projects with the philosophy that they are mutually reinforcing - economic development projects are seen as an entry point for basic human needs projects since without them the later cannot be satisfied. ORDEV funds are provided on the basis of full repayment to the organisation of each capital tranche extended for loan disbursements.

The upper limit of the loans depends on the number of job opportunities created. The

average loans is for projects with an investment cost of LE4,500 (\$1300). ORDEV does not provide grants - the full amount of capital extended by it has to be repaid in addition to its current administrative costs which brings the rate close to the market rate of interest. ORDEV plans to expand its micro-lending programme. It has earmarked LE40 million (\$12 million) for this purpose but on the basis of full recovery of the initial capital extended to the CDAs. ORDEV is also negotiating with the World Bank for \$4 million in IDA funds for microcredit in Suhag Governorate. The World Bank Staff Appraisal Report, April 1998 notes that part of these funds will be used to provide loans to the poorest of the poor along the lines of the FDF model and through technical support from UNICEF as provided for in the agreement with ORDEV.

Nasser Social Bank

The Nasser Social Bank with total assets of LE1.5 billion is the tenth largest bank in Egypt in terms of assets and the largest in terms of profits. It has two types of operations: (i) social; and (ii) banking, hire purchase and mortgages. The bank is also responsible for collecting and disbursing zakat money which is the voluntary contributions of individuals for the poor and needy under Islamic culture. Under the Egyptian system, a Zakat Committee is also established by law. There are more than 5000 Zakat Committees, which are now encouraged to give small loans for projects rather than as charity. The money is given as a loan without collateral and without interest as per Islamic law. Repayment experience is good because loans are essentially provided after a careful study of the project. The poor are targeted essentially through small size loans with the average loan being LE500 (\$150). More than LE6.5 million (\$1.9 million) have been provided as Zakat loans through the bank's 30 branches and more than 15 local offices at village level. The Zakat Committees function as NGOs but they are not required to be registered and do not come under the mandatory reporting requirements of MOSA. They are, however, registered and regulated by the NSB.

National Bank for Development (NBD)

The NBD has taken a lead in providing microcredit to the poor. UNICEF has acted as a catalyst to encourage NBD's entry in microcredit through a grant of US\$100,000 in 1992 for lending to the poor women and support for NBD's staff in Qena through a learning mission to Grameen Bank in Bangladesh. Although UNICEF no longer provides financial and technical support, the NBD has continued to expand its microcredit programme through its own funds and those from USAID and CIDA.

The Qena branch of the NBD bank has expanded rapidly. Seventy one per cent of the total number of loans and 65% of the total amount of loans are to borrowers in rural areas. Women account for 61% of the borrowers by number of loans. They received 58%

of the total amount of loans suggesting that women are not specifically targeted by the NBD.

The size of the initial loan LE 200-300 (\$60-90) is the primary mechanism used by the NBD's to target the poor. The NBD charges a composite interest rate of 22% (16% interest is to cover the costs of the project staff) which is higher than UNICEF's FDF. The recovery rate of NBD loan is high at 98-99.5% of the total loans disbursed. The success of NBD in microcredit has led it to expand its microcredit activities to two branches in Suhag without donor funding.

3. KEY FEATURES OF THE FDF MODEL

The FDF has been set up within the framework of the programme of co-operation between UNICEF and the Government of Egypt. It is modelled on the Grameen Bank to the extent that it extends loans without collateral to a group of five women in turn (first two women then next two, then the last) in interval of a few weeks with the leader of the group being the last to receive the loan on condition that all the group members attend the weekly group meetings and repay the instalments on their loans on time. Beyond this, the FDF does not replicate the Grameen model.

UNICEF has taken advantage of the grassroots level community based organisation in the village called Community Development Associations (CDA) to implement the programme. The CDA is registered with the Ministry of Social Affairs and is subject to a regular system of auditing and reporting to the Ministry. In

UNICEF has taken advantage of the grassroots level community development associations (CDAs) in the villages and built their capacity to implement the programme.

each project area one CDA is implementing the programme. However, in Farshoot, one mother CDA is implementing the programme in collaboration with five small CDAs. Similarly in El Wakf, one mother CDA is implementing the programme through an association with three small CDAs.

Each CDA comprises of a board of directors and hired project staff. The project staff consists of one project manager, one accountant, one cashier and a number of extension officers as required. The board of directors are honorary but the project staff are paid salaries from the project. All the project staff are from the community itself.

The board of directors of the CDA are responsible for making key decisions on the operation of the FDF and monitoring the work of the project staff. A representative of the board also sits on the loan approval committee of the project. The project manager is responsible for overall supervision of the programme work. The policy decisions are made jointly by UNICEF and the CDAs.

The extension officers are young high school women graduates recruited from the community. They are the key field staff responsible for group formation, and day to day operation of savings and credit activities. The extension officers collect the weekly savings and administration fee from the groups, and the loan instalments at monthly centre meetings. In addition, the extension officers are trained by UNICEF to conduct the follow up training on health and nutrition in the centres.

The FDF's activities include:

- group formation;
- leadership training;
- savings mobilisation;
- credit;
- insurance against the loss of income generating assets purchased from the credit;
- health and nutrition awareness training; and
- integration with basic social services provided by the government and UNICEF supported programmes.

4. METHODOLOGY OF THE STUDY 1

Defining Impacts

The stated objective of the FDF is to improve the lives of borrowers and their families to reduce poverty. The objective of this impact assessment exercise is to measure the extent to which microcredit has brought about changes in the livelihoods of the borrowers. The term impact is represented by a set of indicators in a consistent fashion over time.

What Changes are to be Analysed

The changes to be observed were identified on the basis of what the programme intended to achieve. Microcredit programmes targeted at the poor aim to improve the socio-economic status of the household to ultimately reduce poverty. The following are the major criteria which were considered in developing measurable indicators:

- Improvements in material well-being;
- Access to basic social services;
- Improved status of women;

1 A background note developed for impact assessments provides details of the methodology and a suggested questionnaire which was adapted for this impact assessment. See: "Impact Assessment of Microcredit Programmes: A methodological note and questionnaire", UNICEF, EPP, March 1998.

- Institutional sustainability of the FDF programme.

The criteria and indicators of assessment are:

Material well-being

- Increased income from loan activities;
- Asset building: household goods, cattle, savings;
- Land: bought and rented land;
- Types of food consumption;
- Reduced indebtedness.

Access to Basic Social Services

Money-metric measures, such as income, fail to capture a number of other dimensions of poverty such as high infant mortality, high illiteracy, lack of access to safe water etc. Investment in human resources, particularly in children, lays the foundation for long-term reduction in poverty. A key indicator is enrolment and completion of primary education. Creating awareness on health issues such as knowledge of hygienic practices, maintaining a healthy environment and prevention of Aids are part of the process of human development. The following are indicators of assessment for basic social services;

- School enrolment and attendance of children of primary school going age, particularly girls;
- Utilisation of child labour;
- Access and use of health services;
- Awareness on nutrition;
- Access to safe water sources;
- Sanitation practices;
- AIDS awareness.

Improved Status of Women

Lessons learned from microcredit programme have shown that when credit is given to women, children benefit more than when credit is targeted to men. Furthermore, when credit is accompanied by social services and social development programme activities, it increases women's control over income, decision making power in the family and status in the family. Following are the indicators used for assessment of women's improved status.

- Decision on taking loans ;
- Decision on buying food and larger purchase;
- Decision on children's education,
- Importance of daughter's education;
- Control over income;
- Change in relationship with husband;

- Aspirations for daughter;
- Physical mobility.

Data Collection for the Impact Study

The study includes integration of various types of data to compare and analyse the impact of the FDF programme on the socio-economic situation and well-being of the FDF's borrowers. In order to satisfy the criteria mentioned above, a combination of quantitative and qualitative data gathering methods were used: (i) individual interviews with structured questionnaire for FDF borrowers and the people who have not received FDF's loan, (ii) Focus group interviews with the Centre members, and (iii) Case studies on individual borrowers.

A number of systematic impact assessments of microcredit programmes have been carried out in Bangladesh² where such programmes have been operating for some time and sample sizes of borrowers and control groups can be large enough to give statistically significant results. However, there are limited number of studies for other countries.³ In part this is due to the methodological difficulty in separating out the impact of credit from other impacts, the relatively small sample sizes of many microcredit schemes and the short time period over which the poor have had access to loans. Moreover, in many cases, the positive impact is obvious to those involved in the implementation of microcredit, hence the need for a detailed assessment is not appreciated.

A combination of quantitative and qualitative data gathering methods was used.... A limited low-cost exercise has been conducted.

There is a question of financial resources also. Impact assessments can be very expensive exercises for which resources may be limited and there may not be sufficient justification for an extensive exercise. A more preferable alternative is to conduct a relatively smaller exercise which provides the microcredit scheme with data and information on the basis of which improvements can be made. Such limited exercises, however, may find it difficult to answer questions such as how many people have been pulled out of poverty. On the other hand, they may be more useful for improving the effectiveness of microcredit at relatively low cost, particularly for schemes which have been in operation for only a limited time - within which time it would be difficult to establish that many, if any, of the poorest have been pulled out of poverty. Therefore, a limited low-cost exercise has been conducted for this study.

² See for example Mustafa S. et. al. (1996)

³ The AIMS project being conducted by USAID is attempting to examine the underlying approaches to impact assessments with a view to developing a set of guidelines which can be useful for such studies, providing useful data at relatively low cost.

4.1 Quantitative Assessment

Questionnaire Survey

A survey of FDF women borrowers and a control group of women having a similar socio-economic background in the village was conducted using a structured questionnaire (see Appendix 1 for the Household Sample Survey – FDF-HSS). The questionnaire was translated into Arabic and the results collated and made available to the team. The household survey questionnaire collected information on the socio-economic profile of the borrowers, children's education, utilisation of child labour, use of health services, awareness on nutrition, access to safe water, awareness on sanitation and AIDS, utilisation of loans, improved income and asset building, and women's empowerment.

In the sample for the household survey only those FDF borrowers who had received two or more loans over a two year cycle were included. It is recognised that such a short loan history can have only a limited impact, but there were few borrowers who have been with the FDF since its inception. The reasons for this is in itself one of the findings of the impact assessment and is discussed in the Management Plan. The total number of borrowers for Asyut, Suhag and Qena at the time of the survey is 3169. Of the total number of borrowers, 1208 have taken two or more loans. Using random selection criteria 156 borrowers (13%) were selected from the list of the group members.

The sample for the control group was selected from the list of potential group members for the FDF programme. This list is prepared by the CDA offices on the basis of the similar target group selection criteria used for the FDF programme. A total of 1100 women were identified as potential group members by the CDA offices in their respective villages. Out of this total 46 women (4%) were randomly selected as the control group. The reason for such a small sample for the control group is due to the time and financial constraints for the preparation of this study.

Profile of the sample selected (borrowers and control group - Age, marital and educational status and children living with the respondents

The profile of the borrowers and the control group selected for the questionnaire survey is roughly similar. The majority of those selected in both samples are in the age group 26-40 years (Table 2). Similarly, over 70 per cent of the borrowers and those in the control group are married. The educational level of the respondents shows that 82% of the borrowers and 72% of the non-borrowers from the control group never went to school (Table 2). Data shows that 5% of the borrowers and 13% of the non-borrowers had primary or above primary level of education. More women from the control group had primary level of education. This is because the control group has a larger percentage of women from the

younger age group.

The average number of children living with the borrower is four while the average number of children living with the non-borrower is three. The average number of male and female children living with the borrower is about three and two respectively. Only 12% of the borrowers have children other than their own living with them as compared to 24% in the case of the non-borrowers.

Table 2: Background data on the respondents

	% of borrowers	% of non-borrowers (control group)
Age structure (years)		
Less than 20	6	4
21 –25	5	15
26-30	15	24
31-36	18	20
37 – 40	11	11
41-46	19	9
46 –50	14	15
51+	12	2
Marital Status		
Married	74	76
Widow	19	15
Divorced	5	3
Single	2	6
Education Level	Borrowers (percentage)	Non-borrowers/control group (percentage)
Never went to school	82	72
Did not complete PE	13	15
Completed PE	3	6
PE and above	2	7
Number of children living with the respondents	Number	Number
Average all children	4	3
Average number of male children	3	2
Average number of female children	1	
% number that have children living with them other than their own	12%	24%

Pre-testing of the Questionnaire

The questionnaire was pre-tested both for the borrowers and the control group. Some questions were restructured on the basis of the information gathered during the pre-testing.

In addition to collecting data for the impact assessment, interviews were conducted with the CDA board members, project management staff and extension workers to obtain information on the project administration and programme implementation strategy. Meetings were held with the Secretary Generals and the District Heads of Asyut, Suhag and Qena Governorate with regard to institutional sustainability of the FDF in the future. Secondary source of data for this study includes review of project documents and Report of the Field Mission (Nigam, 1997).

4.2 Qualitative Assessment

Focus Group Interview

In addition to the questionnaire survey focus group interviews were conducted in eight centres from Asyut (EL Aziza), Suhag (Dar El Salam), and Qena (El Wakf & Farshoot). The qualitative information from the focus group interviews provided complementary information to the quantitative data obtained from the household interviews. A total of 107 women participated in the focus group interviews from the following eight different centres:

<u>FDF Locations</u>	<u>Name of the Centres</u>
El Aziza	Hope El Amal, El Readaa,
Dar El Slam	El Zohar Centre, Awalad Salam, El Kosh
Farshoot	El Etihad Centre, El Zohar, El Mohaba

The main objective of the focus group interviews was to assess the impact of the FDF through women's collective opinion. As a result open-ended questions were asked at the group interviews. The following issues were discussed with the women:

- i. Group formation & group solidarity;
- ii. Group leaders' training;
- iii. Children's education & opinion about daughter's education.
- iv. Education of and aspirations for daughter
- v. Child labour;
- vi. Access to and utilisation of basic social services
- vii. Health & Nutrition training;
- viii. Awareness of social and health issues;
- ix. Literacy training;
- x. Savings and loan activities;
- xi. Income and investment from the loan & economic security;
- xii. Women's control over income and improved status in the family;
- xiii. Women's mobility.

Individual interviews

In depth individual interviews were conducted with eight borrowers from the same group with whom questionnaire surveys were conducted in Asyut, Suhag and Qena. The case studies provided complementary information to the questionnaire survey and the focus group discussions and stories of borrowers provide a personal flavour of the changes that have taken place in their lives after they had borrowed from the FDF.

4.3 Limitations of the Study

The time allocated for this impact assessment study was 30 days. Because of the time constraint, it was not possible to administer the questionnaire with open ended questions. Instead, the structured questionnaire was used. It was, therefore, not possible to obtain more detailed information on various factors which might have been relevant for assessing those which are significant for changes in the lives of the borrowers. Focus group interviews were used to supplement the analysis of the data obtained from the questionnaire survey.

In order to keep costs down, the data collectors were the loan officers, who did not have prior experience in conducting questionnaire surveys for impact assessments but were given a short training. Therefore, the questionnaire was designed to avoid complex questions. This may have introduced some bias since independent and professional data collectors were not used, but at the same time the loan officers are known to the borrowers, they inspire confidence among them and were in a better position to elicit responses and judge if the information being provided was correct. The questionnaire survey did not provide sufficient information to examine and analyse the data for causal relationships between the different variables in a manner which would be statistically significant.

5. FINDINGS : A Quantitative and Qualitative Assessment

This section provides a thematic discussion of the findings based on both the quantitative assessment (from the questionnaire survey) and the qualitative assessment (from the focus group interviews, review of background information and interviews of selected individual borrowers). The quantitative assessment cannot provide many of the reasons for a particular observation. Hence, the qualitative assessment is equally important in order to develop appropriate recommendations for improving the impact of FDF. The results are presented thematically.

5.1 Reaching the poorest and building local capacity through groups

Profile of the Group Members

The age structure of all the group members in FDF shows that more than half the borrowers are above 41 years of age. Only 19% of the group members belong to the 20-30 years age group – the most common child bearing age range in Egypt (Table 3). Most of the borrowers in the FDF come from the older age groups because: (i) there is an emphasis for inclusion of female headed households/widows as beneficiaries - the single headed households are among the poorest of the poor in the community; (ii) it was easy to target women from the older age group because they are relatively more independent than the younger women and have more time to attend meetings and take up income generating activities. All the borrowers are women, though in El Wakf and Farshoot 10% are men. The marital status of the total number of group members of FDF programme shows that 55% borrowers are married and 32% are widowed (Table 4).

Table 3: Age profile of the borrowers (all)

Age range	El Aziza	Dar el Salam	El Wakf	Farshoot	Total
Less than 21	5	46	N/A*	----	51 (2%)
20 –30	71	131	"	237	439 (17%)
31-40	166	178	"	319	663 (25%)
41-50	113	176	"	641	930 (35%)
50+	56	96	"	395	547 (21%)
	411	627		1592	2630 (100%)

The age group of the FDF target population has a major implication for the impact of the FDF programme on children. One major objective of UNICEF's programme of support is to improve the situation of children. In order to meet this objective more emphasis should be given to target women with young children.

Table 4: Marital status of the borrowers (all)

Status	El Aziza	Dar el Salam	El Wakf	Farshoot	Total
Single	21	3	8	225	267 (8%)
Married	313	511	306	604	1734 (55%)
Divorced	5	15	63	84	167 (5%)
Widow	72	98	162	679	1011 (32%)
Total	411	627	539	1592	3169 (100%)

Reaching the poorest: Income-asset test with community self-targeting

The target population of the FDF programme is very poor women. In addition to working in some of the poorest villages of Upper Egypt and providing small initial loans to ensure that only the poor will be attracted to borrow, a combination of criteria is used by the FDF as poverty measures to reach the poorest. The FDF uses a process of community self-selection along with a set of criteria to identify and reach the poorest. These criteria are:

- Preference to female headed household, who are amongst the poorest in Egypt;
- Per capita income of the family members is not more than LE 40.00/ US\$12 per month;
- Capability in managing loans (means good track record in the informal rotating savings and credit association operating in the community).
- Land owned or leased should not be more than 4 Kerats (0.17 acre);
- Must accept the group guarantee system;
- Beneficiary of Sadat pension;
- Identification and selection of the poor by the community itself through local-level institutions.

The process of group formation includes collecting some basic information on the very poor households followed by a personal approach by the extension officer to the potential persons to form a group. Women who meet the above criteria are approached to form a group or can approach the extension officer if they have identified a group themselves, but all borrowers are vetted and approved by a loan committee to ensure that they meet the above criteria. The loan committee has representatives from the Board of Directors of the CDA. This system helps to ensure oversight in the selection of the borrower and avoid elitism. When five poor

A combination of criteria are used to target the poorest which is helped by the fact that the FDF is a community managed scheme.

women are identified who are interested in forming a group, then the formalisation of the group begins. After formation of 4-5 groups, a centre is established for these groups. Each month, health and nutrition awareness training is conducted at each centre.

This approach to reaching the poorest may appear to be supply rather than demand-driven but considering the unfamiliarity of the poor to credit, their natural initial reluctance to take risk because of fear and concern, and the need to target the poorest, a proactive approach is initially needed in the context of Egyptian villages. Many of the poor in the community are initially hesitant because they believe that such credit programmes will take away whatever assets they have and there is an initial lack of confidence. Building confidence in the credit scheme takes time. The community based nature of FDF, in that the scheme is managed by the local-level Community Development Association and the extension/loan officers are young high school girl graduates from the community itself, trained by UNICEF, has been a decided advantage in reaching the very poor. Even then it is not always easy to bring the poorest within the ambit of the credit scheme.

Building confidence in the credit scheme takes time; here the community based nature of the FDF has been a decided advantage.

Apart from screening the borrowers to ensure that they are among the poorest, no systematic base line survey of the economic and social situation such as school attendance of their children or their health and nutrition status was conducted before qualifying the women as potential borrowers. But the profile of the borrowers, focus group discussions and home visits indicate that they are among the very poor.

Reaching the poorest requires some flexibility in the programmes, including loan sizes according to the needs of the borrower. One of the facets of poverty is the vulnerability of the poor to fluctuations in their income. Microcredit attempts to reduce this vulnerability. This requires some, though not excessive flexibility in loan repayment. In addition, the credit provided must allow the poor to gradually build their asset base. Because the FDF is run by the community, the extension workers allow the borrowers some flexibility in the repayment of the capital instalments but not of interest. For example, a few days grace is given for repayment of the principal if the borrower can get a better price for her cattle.

With almost 1100 women on the waiting list, there is a high demand for credit in the target villages.

This flexibility, in both the size of the loan and repayment of capital, is a pro-poor policy but it creates difficulties in ensuring that

there are funds for all borrowers accepted in the scheme. At the same time the approach has allowed many of the women from the very poor households to get access to credit.

Discussions revealed that there are women in the villages who are poorer than the existing borrowers. These women are also from the ultra poor households but they have not joined the FDF programme because they fear that they would not be able to repay the loan. An analysis of the situation of the ultra poor and potential income earning activities for them in the FDF programme villages would be helpful to increase their numbers in the FDF. With almost 1100 people waiting for loans, there is already a high demand for credit in the target villages.

Group formation

In El Aziza, Dar El Salam, Farshoot and El Wakf the total number of groups formed is 566 and the total number of borrowers is 3169. Table 5 shows the number of groups, borrowers, and centres by different regions.

Table 5: Total number of groups/members/ centres

	El Aziza	Dar el Salam	El Wakf	Farshoot	Total
Number of groups	82	135	107	242	566
Number of members	411	627	539	1592	3169
Number of centres	17	27	23	48	115

Each group has a leader selected by the group members on the basis of the following criteria:

- ability to speak well;
- ability to convince others;
- willing to take a loan after other members of the group have taken loans;
- can afford to spend time for the group.

In each centre, there is a centre leader selected by the respective groups of that centre. Since the group activities mainly involved savings and credit, only a few issues need group decision such as borrowing from the savings fund and selection of group leader. These issues are discussed in the group meetings and decisions are made on a consensus basis.

Group Leaders' Training

Each group has a leader who is selected by the group members on a consensus basis. The group leaders receive leadership training on the following main issues: principles of group guarantee for loan repayment, problem solving in the group, and communication skill.

Leadership training to the group leaders provided them with self-confidence and courage to deal with group related matters. During the group interviews, 28 group leaders were asked about the usefulness of the leadership training. All of them said that they found the training beneficial to them. They have learned the following from the training:

- to be committed to the group;
- to be articulate and to speak well;
- how to lead a group;
- how to solve problems in the group;
- how to make decisions;
- how to be courageous.

In all about 80 per cent of the group leaders have received training. Most of the group leaders in El Aziza and Farshoot received leadership training while in El Wakf 42% of the leaders have been trained. Most of the leaders from El Aziza received training because the FDF programme in El Aziza started earlier than El Wakf and Farshoot.

The leadership training of the group leaders has provided them with self-confidence and courage. Group leaders are able to solve problems when there is delay in the loan repayment in the group. The leadership training has also helped to develop grassroots level

The leadership training has helped to develop grassroots level leaders.

women leaders. But field visits suggest that groups are very dependent on the extension officers for the management of the group. Groups are not sufficiently well developed and independent to take initiatives in terms of tapping into other facilities and resources available outside the FDF programme such as the UNICEF supported literacy class, and access to water and sanitation. This is in part a reflection of the fact that FDF is relatively new and the groups have not yet received much formal training on aspects such as group management, record keeping of savings, social awareness, and information on other social services except for health. There is a need to develop the management capacity of the groups. Capacity building of the group's internal management is critical for long term sustainability of the FDF.

Group Solidarity

The process of group formation has brought women together from the same socio-economic background. Though individual women had earlier experienced similar problems, there was no forum for them to share and learn from their experience - the group members knew each other as neighbours, but there was little co-operation among them.

In their own words: "When a member of the group is unable to repay the loan on time, we help her to pay".

Women mentioned that they have formed groups to obtain loans, to improve their economic condition, to help each other, and to be a guarantor for each other for loan repayment. It appeared that in the regular meetings of the groups women talk mainly about their loan activity with only some discussions on social issues. Focus group interviews with the women indicate that there is solidarity among women in terms of helping each other for loan repayment as well as family matters (Box 1).

Box 1: Building group solidarity

" We care for each other, we support each other. When a member of our group is unable to repay the loan on time we help her to repay. We help each other with household work or child care if any of us become sick. We also help each other with cattle rearing, if one of us is away from home."

5.2 Credit, Savings and Insurance

Credit – disbursement and repayment record

In the four years of its operation and with a capital grant of US\$ 455,000 (over LE 1.25 million), the FDF has reached 3169 (3072 as at the end of December 1997) borrowers/households in the three Governorates of Upper Egypt - Asyut (El Aziza), Suhag (Dar El Salam), Qena (Wakf & Farshoot). The amount of initial capital for these three Governorates was US\$ 355,000. However, the cumulative disbursement of these three Governorate in 1997 alone was US\$1,055,472 (LE 3,578.052) which means that one US\$ has revolved almost three times. Table 6, from the FDF Management Plan 1998-2000, shows the key performance indicators of the credit activities of FDF.

The size of loans ranges from LE 200 (\$58) to LE 1500 (\$440). For the first time borrower, the size of the cattle loan is LE 1000 (\$300) and for the second time borrower the cattle loan is LE 1500. The size of loan for petty trading is small and the loan is sanctioned according to the needs of the borrower. This flexibility in the size of the loan has a positive implication in terms of reaching the poorest of the poor and allowing the poor to determine which income generating activity will be most profitable for them. Flexibility in the loan size can help the borrowers to gradually build capacity to handle larger loans (see Box 2).

Gradually Jainab has built her business as well as her capacity to handle bigger loans.

Box 2: Flexible loan size

Jainab's story: Jainab from Dar El Salam village used to live on making handicrafts and raising a few chickens. When she became involved in FDF programme, LE 600 (\$177) loan was approved for her but she took the loan in instalments each month for LE 100 (\$29), LE 150 (\$45), LE 200 (\$59). The loan was used for chicken rearing and handicrafts. Gradually she has built her business as well as her capacity to handle bigger loans. She took second loan for LE 600 and extended her chicken rearing business. She paid her second loan and took a third loan for LE 1000 to buy a buffalo.

The FDF charges an administration charge of 12% on the loans, repayable in equal monthly instalments over a period of 12 months. Because of the cultural and religious traditions, the practice of charging interest is not acceptable. However, the borrowers agree that they have to meet the cost of administration and pay the extension and other workers in the FDF.

<i>The borrowers pay interest made up as follows:</i>	
<i>Administrative charge</i>	12%
<i>Savings fund</i>	1%
<i>Insurance fund</i>	3%
<i>Total</i>	16%

As shown in Table 6, the overhead costs for FY 1997 for El Wakf, Dar el Salam, Farshoot and El Aziza were 18.3%, 9%, 10.8% and 10.5% respectively. The loan disbursement for that year were US\$186,490, \$277,300, \$329,528 and \$262,153 respectively.

Repayment rates, i.e. within one week of the due date, vary among the CDAs. Farshoot achieved the highest repayment rate - 98%, while the repayment rate for Dar el Salam is 90%. The repayment rate for El Aziza and El Wakf is 95%. The variation in the repayment rate across locations is due to the flexibility allowed by each CDA. Loan repayment rate is high in Farshoot because the loans are used for non-farm activities which bring immediate and regular income. The loans are repaid in monthly instalments. In El Aziza and Dar el Salam loans are used for cattle rearing and repaid in 6 monthly instalment, after selling the cattle. Borrowers sometimes wait to get better market price for the cattle, which results in a delay in loan repayment. Discussions with the borrowers indicates that loans are used for the purpose it was taken. In many cases, the cashier accompanies the borrower to vet and purchase the cattle. However, a small portion of the loan was used to meet family subsistence or emergency needs.

Table 6: Key operating and performance indicators of the Family Development Fund as at 31 Dec. 1997

Indicator	El Wakf	Dar el Salam	Farshoot	El Aziza	Alexandria	All locations
Capital invested US\$: UNICEF Up to 1996 Current year (1997) Others Up to 1996 Current year (1997) Loan repayment	50,000 30,000	100,000	100,000	75,000 30,000 ORDEV Loan (30,000)	100,000	425,000 30,000 30,000 (30,000)
Number of borrowers: Total Of which: First Second Third Fourth Fifth	539 254 226 59 0 0	627 422 113 50 42 0	1212 832 302 78 0 0	694 203 134 285 68 4	N.A.	3072 1711 775 472 110 4
Number of loans disbursed in year	883	966	1670	923		4442
Amount of loans disbursed in year (LE)	632,202	940,050	1,117,100	888,700	N.A.	3,578,052
Total loans outstanding as at 31 Dec. 97 (LE)	127,272	268,819	251,697	264,707	N.A.	912,495
Repayment rate % (not verified)	95.6%	90%	98%	95%	N.A.	95%
Ratio of operating cost to interest earned %	86%	92%	78.3%	80.5%	N.A.	84.2%
Ratio of operating costs (current expenses) to loans outstanding % (1996)	18.35% (16.6%)	9.0% (14.9%)	10.8% (11.6%)	10.5% (10%)	N.A.	12.0% (12.8%)
Ratio of operating costs to total capital investment (incl. Surplus) % (1996)	7.6% (11.4%)	7.86% (10.5%)	9.47% (8.4%)	10.3% (9.6%)	N.A.	8.8% (9.8%)
Number of centres	23	27	48	17	N.A.	115
Number of groups	107	135	242	82	N.A.	566
No. of extension workers	5	6	11	7	N.A.	30
Borrower/ext. officer ratio	108	105	110	99	N.A.	102

Group Savings

The FDF has instituted a savings and insurance fund. One percent of the loan is taken prior to disbursement as savings and each borrower pays LE 1 (\$0.30) per month as savings. In the second year, women save LE 2 per month. Members can borrow from the savings fund in times of need as an interest free loan. The decision on granting loans from the savings fund is taken by the respective group members, extension officer and the project manager. Discussion with the women suggests that the simplicity of the process to access group savings and borrowing from this fund has helped them to meet emergency and personal needs such as, medical care and wedding in the family. Savings cannot be withdrawn but the policy allows a member who wishes to leave the scheme to withdraw their savings. However, re-admittance to the schemes require the member to repay all the withdrawn savings and in addition the weekly contribution that she would have made during the period that she was not a part of the scheme.

An analysis of savings (Table 7) shows that savings per woman is US\$ 8, US\$5, US\$9 and US\$ 5 for El Aziza, Dar El Salam, El Wakf, and Farshoot respectively. A small number of women - 16% of all borrowers in the FDF-HSS - had borrowed from the savings fund.

Table 7: Group savings

	El Aziza	Dar el Salam	El Wakf	Farshoot	Total
Number of members	411	627	539	1592	3169
Savings LE	11049	10805	16345	28398	66597
US\$	3269	3197	4836	8402	19704
Savings per borrower					
LE	27	17	30	18	22
US\$	8	5	8.9	5.4	6

Women were asked whether monthly savings could be increased more than the present amount. Their initial response was that they cannot afford to save more than they are saving at present. But there is a strong culture of saving in revolving funds in Egypt, both in urban and rural areas, across all income classes. During the focus group discussions with the women in Dar El Salem, El Wakf and Farshoot, it was found that women are involved in informal savings scheme such as rotating savings and credit association (ROSCA). Each woman contributes about LE10 (\$3) monthly, ten times what they are currently putting into the FDF, into the informal savings scheme and each month the amount

is given to the neediest woman in the group. The amount of savings contributed by each woman in the informal savings fund indicates that women are able to save more than the LE 1- 2 per month that they are saving in FDF.

Accumulation of savings could also be increased by encouraging the investment of the group savings fund in joint economic activities. For example, a group can jointly take loans for chicken, goat rearing or other income generating activities. Experience in savings programme of other NGOs such as Proshika in Bangladesh shows that group members invested part of their savings in joint income generating activities. A portion of the profit from this investment was saved in the savings fund and rest of the profit was distributed among the group members. Utilisation of group savings fund for economic investment would increase the savings of the group members as well as bring additional income for them.

Mobilisation of savings in the FDF is essential for its long term sustainability. It is important that greater effort is made to increase the savings of the borrowers within the FDF. Failure to mobilise higher level of savings will mean that the borrowers will view the FDF and similar microcredit schemes as essentially vehicles for credit rather than credit and savings. The financial sustainability of FDF and its growth will be hindered if it is primarily a credit scheme. Efforts should be made through group meetings to emphasise the importance of borrowers channelling more of their savings through the FDF. At the same time, it is important to establish stronger institutional linkages of the FDF and examine ways in which the savings of the borrowers can be insured and a nominal interest provided on them as an incentive. Further efforts should be made to mobilise the savings of borrowers to be put into the FDF. A specific study on savings mobilisation can be considered, learning from other country experiences such as the UNICEF supported microcredit scheme in Vietnam.

Group insurance fund

An additional feature of the FDF is that 3% of the loan is taken as an insurance against unforeseen disasters which may lead to the borrower being unable to repay the loan. Initially, this was primarily for veterinary insurance to safe guard against diseases and death of cattle purchased from the loan, and was used to purchase insurance from the government veterinary department. In El Aziza, the insurance fund is also being used to provide credit to the women (Table 8).

Table 8: Insurance fund at the CDA level

	El Assize	Dar el Salam	El Wakf	Farshoot	Total
Total amount LE	10520	7250	16366	33110	67246
Total amount US\$	3113	2145	4842	9797	19897

No in-depth assessment was made of the insurance fund but there is scope for such a fund to provide adequate protection from other unforeseen disasters, such as sickness and death in the family, and fluctuations in the fortunes of the borrowers and also be a mechanism for safeguarding the savings of borrowers. A study may be undertaken to examine what improvements can be made to the insurance fund.

Borrowing from Other Sources

In the FDF-HSS, the borrowers were asked if in the last two years they or any of their family members have borrowed money besides the FDF. The responses indicated that only 5% of borrowers received loans from outside the FDF compared to 3% for the control group. The lack of borrowing from other sources is an indication of the lack of alternate sources of credit such as banks or moneylenders, and the reliance on ROSCAs and borrowing from family and friends for emergencies and special events such as marriages.

Apart from ROSCAs, there are virtually no other sources of credit for the poor in Egypt.

5.3 Self employment and income generation through FDF credit

Loans are used for income generating activities such as cattle rearing and non-farm activities in the informal sector. The types of income generating activities undertaken by the borrowers varies from region to region. Ninety per cent of the loans are disbursed for cattle rearing in El Aziza and Dar El Salam (Table 9).

Data on Farshoot shows that 61% of the loans were disbursed for non-farm activities such as vegetables selling, small trade, grocery shop, handicrafts, basket/mat making, sewing, cafeteria, wool making and miscellaneous activities (Table 10). The miscellaneous activities include push cart, carpentry, glass work, laundry, tile making, etc. These activities are mainly undertaken by the male borrowers.

The main reason for disbursement of 61% of the loans for non-farm activities in Farshoot was that the mother village is close to the market, and the borrowers have undertaken activities according to the needs of the market. Most of the borrowers involved in non-farm activities expanded their existing income generating activities through loans from the FDF.

The FDF has provided the poor with opportunities, not charity.

In El Aziza and Dar El Salam most of the loans are used for cattle rearing because these villages are rural in nature and women have previous experience in cattle rearing. In addition, there is a market for cattle. During

the interviews, women mentioned that they would like to take up other income generating activities which would bring immediate return and sustainable income. In discussion with the women it was found that they lack skills for other income generating activities and also do not have information about markets.

In El Aziza and Dar El Salam, most of the women have been involved in chicken rearing activities with their own capital. Many of the women earn LE 15 - LE 20 (\$4-6) per month. Developing poultry programme through credit could be a profitable income earning activity for women in the FDF. Such an approach has been successfully applied, such as in Bangladesh, BRAC and other NGOs have developed poultry programme through microcredit. Women engaged in poultry rearing are given skills training to develop economically viable poultry schemes. Poor women are also trained as poultry extension workers to provide extension services to the poultry rearer in the village. Development of poultry extension workers from the group members also created employment opportunities for the poor women. The poultry extension workers collect vaccination from the government veterinary department. For each vaccination the extension worker gets a small contribution from the poultry rearer for her service. BRAC has also developed veterinary extension workers from the group members to provide veterinary services to the cattle rearer. Veterinary extension workers also receive fees for their services from the cattle rearer. BRAC provides skills training to the cattle rearer.

During the group discussions, women mentioned that they need training on cattle rearing to upgrade their traditional skills and to gain new knowledge. It might be useful to learn from BRAC's poultry and cattle rearing programme. In addition to developing poultry rearing, non-farm income generating activities could be developed through the credit programme. This would require an assessment of the potential income generating activities and market analysis in the FDF programme areas complemented by skills training.

Activities engaged in using the loan and utilisation of income:

The FDF-HSS indicated that the loans have been used for cattle rearing and diverse economic activities. Data on investment of the profit from the loans shows that 53% borrowers reinvested the profit and 47% used it for family subsistence including children's education. Data on focus group interviews suggest that reinvestment was done to buy cattle or for the existing economic activities (Box 3).

53% of the borrowers have reinvested their profit and 47% have used it largely for family subsistence.

Box 3: Loan utilisation – Sarbar’s story

Sarbar from Dar El Salam took a loan of LE 960 (\$280) from FDF and bought 3 small goats and one small buffalo. After six months, she sold the buffalo for LE 1000 and used LE 500 for loan repayment. From the rest of the LE 500 she reinvested LE 300 to buy a small buffalo and LE 300 for family food needs. She is raising the buffalo to pay back her final loan instalment.

Table 9: Utilisation of loans (all)
Number of loans

Activity	El Aziza	Dar el Salam	El Wakf	Farshoot	Total
Cow/buffalo rearing	836	398	192	435	1861
Sheep rearing	50	473	222	-----	745
Goat rearing	7	66	-----	-----	73
Poultry			36	134	170
Grocery	17	18	78	485	598
Vegetables selling	4	3		134	141
Butchery	-----	24	-----	----	24
Small trade	6	----	66	118	190
Handicrafts	-----	----		52	52
Basket making	-----	-----	-----	57	57
Cafeteria			15		
Wool making	-----	----	34		
Bicycle	1		2	----	3
Kerosene	1	-----	-----	4	5
Sewing machine	1	5	-----	-----	6
Pottery	-----	3	-----	-----	3
Miscellaneous			7	69	76

Income and investment from the loan, and economic security

Focus group discussions and in-depth interviews with the individual borrowers indicates that credit has created income earning sources for women. The loan is mostly used for the purpose it was taken. However, a small amount is spent for subsistence. Through the

loan a few women obtained water pipe, electric connection and constructed latrines. All the

Income from the loan was invested in the economic activities, used for family subsistence, spent for children's education, and weddings.

borrowers earned income from the loan activities. However, income varies depending on the activities. In most cases cattle rearing brought net income between LE 100-300 (\$30-90) after 6 months of investment of the loan.

Only in a few cases did the women make a large profit from cattle rearing. Investment of the loan in non-farm activities such as small trading has brought regular income for women. Interviews with the women in Farshoot suggests that non-farm activities can generate more income than cattle rearing - LE 40 - 45 weekly (about \$50 per month). Income from the loan was invested in the economic activities, used for family subsistence, spent for children's education, and weddings. In a few cases the additional income was used for repairing the house.

Costs and returns

The investment of \$355,000 in Upper Egypt to about 3100 households amounts to an investment of \$115 per household or \$19 per capita with the initial loan amount remaining intact. In addition, UNICEF has spent in 1997, \$75,000 for capacity building, training and auditing of the FDF, apart from the services of one national staff working, in part, to oversee and monitor the project.

The rate of return should be examined in the context of the return on investment to the programme and to the individual borrowers. This is not always easy to do since it is difficult to ascertain what has been the profit or net income of borrowers. However, the ballpark figures of an average net income of LE200 every 6 months (LE33 per month) for those engaged in cattle rearing and LE170 per month for those engaged in small trading along with the fact that roughly 67% of the borrowers are engaged in the former and 33% in the latter (Table 9) provide a basis for estimating the net returns. On this basis the net monthly income of the approximately 3,100 borrowers amounts to LE243,821 (\$71,923) - i.e. 2067 borrowers earning LE33 per month and 1033 earning LE170 per month. The annual rate of return on the investment of \$355,000, measured in terms of the additional income of all the borrowers is about 200%.

From the borrowers' perspective, this represents an average net increase in income of LE 940 per household per year or a per capita increase in annual income of LE150 per year (average family size of 6 per Table 2) which represents an increase of about 10% from the per capita income of LE1674 in rural and urban areas of Upper Egypt in 1992 (Egypt HDR 1995). Considering that per capita incomes in the rural areas where FDF is operating likely to be considerably less than that for Upper Egypt as a whole, the increase in income of the borrowers is likely to be higher. In comparison to the selection criteria of LE40 per

capita per month, the increase in income is around 30%. But taking account of the fact that we have used 1992 data as the base year for comparison, therefore, an estimate of around 20% increase in income may be reasonable. The FDF has, therefore, provided a return of about 200% per annum on the initial capital, in terms of the increase in the net total income of all the borrowers, and an increase in income of the poorest households of around 20%.

Building their asset base

In the FDF-HSS respondents were asked whether they had cattle, business and any other asset before joining the FDF (Table 10). Access to credit through the FDF programme has helped women to have assets, such as owning a business, television, and cattle. The responses indicate that 80% of the borrowers did not own cattle before taking the loan, but

In comparison to the control group, the borrowers have built at least some assets and increased their income.

after taking the loan 74% of these women have cattle; and 15% own a business in the different FDF locations compared to only 4% before the loan. In Farshoot 31% of the women own a business because most of them

have taken loans for small trading. Before taking loan, 65% did not have any television; after taking the loan, 31% of these women have a television. By comparison, there has been no change in the asset situation and income earning of the non-borrowers/control group. Box 4 is the story of a borrower who is engaged in income earning activities (chicken and goat rearing) in addition to FDF loan activity, and because of another earning member in the family she has been able to own cattle after the fourth loan.

Table 10: Asset Building

Asset Before Loan	Borrowers	Non-Borrowers/ control group
No Cattle	80%	63%
No TV	65%	54%
No Business	94%	91%
After Loan		
Have Cattle	74%	-----
Have TV	31%	-----
Own business	15%	-----

Box 4: Building the asset base: Harbiya's Story

Harbiya lives with her seven children and her husband in El Aziza village. Her husband is a wage labourer. She has been involved in the programme for more than four years. Before joining the FDF programme, she was raising chickens and goats. She borrowed LE 960 (US\$ 280) from the FDF, she used LE 700 to buy a buffalo, LE 200 for fodder and LE 60 to buy food for the family. After 6 months she sold the cattle for LE 1000. She used LE 400 for loan repayment and spent LE 600 to buy another buffalo. She bought fodder from her income from chicken rearing and also used her husband's income to buy fodder occasionally. After six months, she sold the cattle for LE 900. She used LE 600 for loan repayment and LE 300 for family subsistence, children's education and to buy a used TV.

She took a second loan for LE 960 and bought a buffalo. She kept LE 200 for fodder and used LE 60 for food. She sold the buffalo after six months for LE 1200, earning a big profit. She used LE 500 to repay her loan instalment. She reinvested her profit LE 700 to buy another buffalo. The second instalment of the loan she paid by selling her family goat and kept the cattle.

She took a third loan for LE 960 and bought a small buffalo for LE 450 and LE 560 she spent for building two graves. After six months of her third loan she sold the cattle from her second loan with a big profit of LE 1600. She paid LE 1000 to repay her third loan and LE 600 to get water connection for the house. Eight months ago, she sold the cattle from her third loan for LE 500. She kept the money for investment. She took a fourth loan for LE 960. She bought a buffalo using the loan of LE 960 and an additional amount LE 500 which she earned from selling her buffalo from the third loan. Now she has a calf from the buffalo she bought through the fourth loan. She is going to raise the calf and will sell the buffalo to repay her loan.

Women engaged in small trading extended their businesses such as a grocery shop, clothes selling, basket making, mat making etc. The FDF loans have helped the women engaged in non-farm activities in the informal sector to bring in relatively steady income through a gradual expansion of their businesses (Box 5).

Box 5: Utilisation of loans – two familiar stories.

1. Reda Mohammed from El Wakf village lives with her two children. Her husband is serving in the army. Before she took a loan from the FDF, she was engaged in selling garments in the village, but it was in a very small scale. She had a small amount of capital. She used to sell maximum LE 20 -30 (\$6-\$9) per week. She took a loan from FDF for LE 960 and bought more garments. She started to sell LE 50-60 per week (\$15-18) . She paid back her loans monthly from the profit of her business. She took a second loan for LE 960 and a third loan for LE 1500. She said she has expanded her business and does not have to borrow money from other family members for subsistence.
2. Saadiya Awad from Farshoot used to make handicrafts. She used to earn LE 3-4 weekly. She took the first loan of LE 300 (\$90) for her handicraft business. She paid back her loan in monthly instalments and used the profit from the business for her children's education. She took a second loan for LE 700. She opened a grocery store in her home with LE 500 and used LE 200 for her handicrafts business. With the income from her business she was able to buy milk, cheese and eggs for her children. She has taken a third loan of LE 1200 and extended her grocery shop and handicrafts work.

Despite evidence of some asset building, most women do not have a permanent asset base as yet. For example, among those who have cattle, only a small number own it permanently. Most of the women are engaged in cattle rearing business in terms of buying and selling the cattle. Without selling the cattle, they cannot repay the loan.

While the credit has provided increased income, in most cases it has not yet built the asset base which would allow for steady and regular income..... Continued loans over a longer period are necessary to maintain the marginal increases in income, and gradually build the asset base of the poor.

While the credit has provided increased income, in most cases it has not yet built the asset-base which would allow for steady and regular income. Even though for most women cattle rearing has not brought in a steady income, the loan nevertheless prevents them from falling further down the poverty trap

and the milk from the cattle provides nutrition for the family. In comparison to the non-borrowers or the control group, however, the borrowers are better off since the asset ownership situation of the control group has not changed.

Those women who own cattle or have built other assets have received more than three loans and have an additional initial household resource base. This includes women's involvement in additional income earning activities and having one or more income earning members in the family. In some cases, both the husband and son are earning income. The income of the husband or son was used for family subsistence and the profit from selling of cattle was used to reinvest in other cattle. Some women have used their husbands earnings to repay the loan and as a result the cattle purchased from the loan has become a permanent asset for them.

To measure economic security of the household, indicators such as creation of regular sources of income, and decreased seasonal vulnerability are necessary. As indicated above, the loan created income earning opportunities for women, however, it has not created a sustainable source of income for most women. Continued loans over a longer period are necessary. In terms activities of seasonal vulnerability, focus group interviews suggest that during the lean season the women's households suffer from food shortage, especially in Dar El Salam where women said that during the lean season their families mostly live on bread and tea. Dar El Salam is the poorest area among the FDF locations.

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Other sources of family income

The respondent's were asked about the source of their family income in terms of who are the income earning members in the family and whether they are dependent on social aid such as support for relatives and charity. The objective was to find out whether the loan has created income earning opportunities for other members of the family or any change in their

dependency on social aid.

The FDF-HSS data shows that the husband was the main earning member for 63% of the borrowers and 76% of non-borrowers. With regard to a regular source of income 56% of the borrowers' husband's did not have a regular source of income as opposed to 76% of the non-borrowers/control group.

After taking the loans, the number of borrowers depending on social aid- support from family, friends and charity – declined from 9% to 1%.

For the borrowers, income of the son (33%), pension (21%) and social aid (9%) were the other main sources of income. While for the non-borrowers, income of the son (9%), pension (15%) and social aid (4%) were the other sources of income.

Borrowers dependence on son's income and pension was more than the non-borrowers because a significant number of borrowers are from the older age group and are widowed. Data shows that after taking the loan the number of borrowers depending on social aid has changed from 9% to 1%. This is a positive impact of the FDF credit programme in terms of providing the poor women with a source of income. Previously, these women were heavily dependent on social aid, including charity.

5.4 Children's enrolment and school attendance

Data on enrolment of children in school before joining the FDF programme shows that 23% of the borrowers (before taking loans), and 21% of the non-borrowers' children (boys and girls) aged seven years did not go to school. The borrowers and the control groups of non-borrowers indicated that the reasons for not sending their children to school are twofold:

- (i) the child did not have a birth certificate; and
- (ii) the family did not have enough money for children's education.

After taking the loan the percentage of borrowers whose children did not go to school dropped from 23% to 16% suggesting that access to credit, and the income generated from the self-employment, along with the creation of social awareness through the centre meetings may have been a factor in improving school enrolment. Although quantitatively this is only a modest improvement, in conjunction with the response from the focus group discussions, it suggests that the borrowers consider the small alleviation of the budget constraint as a result of the income generated from the credit activities and group meetings for creating social awareness to be important factors in the enrolment and attendance of children in school.

Age and gender differences in children's education

The age profile of the children broadly similar between the borrowers and the control group. Sixty-four per cent of sons of the borrowers and 62% of the non-borrowers are under school age with comparative figures of 62% and 57% respectively for girls. Since a large number of the children of the borrowers are not of school going age and many of the borrowers are from the older age group, it is difficult to notice significant differences in school attendance between the borrowers and the control group.

After taking the loans, the percentage of borrowers whose children did not go to school dropped from 23% to 16%.

Only 4% of the borrowers did their sons not go to school compared to 7% of the non-borrowers, and in only 3% of the cases did the sons of borrowers drop out compared to 5% for the control group. In the case of girls, however, the borrower households do not fare as well as the non-borrower but in neither case are the results significantly different between the two groups (Table 11). The more interesting question, namely that of determining the net enrolment of boys and girls between the two groups, however, was not adequately covered and so could not be analysed in the survey.

Attitudes towards the education of daughters & sons:

The FDF-HSS responses suggest that both the borrowers and non-borrowers view their sons' education as being more important than that of their daughters. - 77% of the borrowers thinks that a daughter's education is important, while 86% of the borrowers prefer a son's education. In the case of the control group the percentages are 67% and 76% respectively suggesting a slightly lower degree of emphasis on education among the non-borrowers (Table 12).

Both the borrowers and non-borrowers view son's education as being more important.

With regard to husbands opinion on a daughter's education, survey data indicates that there is no significant difference between the borrowers and non-borrowers - 58% of the borrowers and 52% of the non-borrowers said that their husbands think that a daughter's education is important. With regard to husbands opinion concerning the education of a son, data shows that the respondent from both the borrowers and non-borrowers group said that their husbands prefer a son's education more than a daughter's education.

Table 11: School enrolment (percentage)

	Boys		Girls		Total	
	Borrowers	Non-borrowers/ control group	Borrowers	Non-borrowers/ control group	Borrowers	Non-borrowers/ control group
Below school age	64	62	62	57	63	60
Primary	22	19	21	26	21	22
Preparatory	5.1	4	5	5	5	4
Secondary	3	3	1	5	2	4
Did not go to school	4	7	5	4	5	6
Dropout	3	5	7	4	5	4

The preference of borrowers for educating their sons rather than daughters was not changed by their participation in the FDF programme. The following reasons were given by the borrowers and non-borrowers in the FDF-HSS for preferring a son's education:

- Education will bring respect for son;
- Through education their son can support himself and his family;
- Education will enlighten the son.

The reason mentioned for not preferring daughter's education was that they will ultimately get married and leave the home. These are the traditional reasons for not sending girls to school but these attitudes can be changed as seen from experiences in other Arab countries.

Table 12: Opinion on Education
(percentage)

Borrowers		Education is important	Education is not important	Don't know	Not available
Women's views	Daughters	77	6	4	13
	Sons	86	1	----	13
Husbands' view	Daughters	58	12	6	24
	Sons	70	2	5	23
Non-borrower					
Women's views	Daughters	67	11	2	20
	Sons	76	4	-----	20
Husbands' views	Daughters	52	14	4	30
	Sons	63	4	3	30

Opinions and aspirations about daughter's education:

Most of the women with school age children said that they are sending their children to school. Ipso facto, it was hard to assess how many women are sending their children after joining the FDF. A few of them said that after they became involved in the FDF programme they have sent their children to community school. The following reasons were mentioned by the women for not sending their children in school:

- Children do not have birth certificates and without it they can not be enrolled;

In their own words: "If we have enough money we will send both boys and girls to school"

- Families do not have enough money to send the children to school;

- Distance of school limits girl's enrolment; - Tradition prohibits 12 years old girls from going

to school far away from home.

With regard to a daughter's education there was a difference in opinion among the women. Some women said that, when a girl becomes 12 years old, she has to get married, therefore less emphasis is given to girl's education. Other women said that, there should not be any discrimination in terms of sending girls and boys to school. " If we have enough money we will send both girls and boys to school."