













# FINANCING POOR WOMEN THROUGH PARTNERSHIP WITH AN INCUBATOR- ARD EL KHAIR, EGYPT

Creating tripartite agreements with an NGO called Ard El Khair and poor female clients to provide collateral free financing and capacity building.

Economic Empowerment Department



	<b>Title</b>	Financing poor women through partnership with an incubator- Ard El Khair, Egypt
	<b>Excerpt about the solution</b>	Creating tripartite agreements with an NGO called Ard El Khair and poor female clients to provide collateral free financing and capacity building.
	<b>What year was the innovation introduced</b>	2019
	<b>#women/youth entrepreneurs served/reached</b>	2400
	<b>(Potential) Lives Impacted</b>	12000
	<b>Budget</b>	US\$ 50 Million
	<b>Which institution implemented the solution?</b>	NGO – Misr El Kheir
	<b>Type of institution (financial institution, fintech...)</b>	Financial Institution – Micro Small and Medium Enterprise Development Agency (MSMEDA)
	<b>Topic</b>	Guarantee, Decentralized Payments, Financial/Technical education.
	<b>Sectors (max 4)</b>	Economic Empowerment, Agriculture, Capacity Building
	<b>Video URL</b>	
	<b>Location</b>	Egypt , Several rural locations in the country including El Wahat El Bahariya



# Financing poor women through partnership with an incubator- Ard El Khair, Egypt



## The Challenge:

Creating sustainable self-employment in rural areas of Egypt especially for the poor female youth

A survey conducted by UN Women showed that the level of economic activity among female youth in Egypt is strikingly low relative to their male peers. 82.1% of nonstudent female youth are out of the labor force, compared to only 13.6% of nonstudent male youth. This means that 6.5 million female youth are neither in school nor working, a significant underuse of Egypt's human capital resources. The survey also found that the average duration of unemployment among youth in Egypt is 120 weeks, or more than two years. Among young males the average is 109 weeks while the average for young females is significantly longer at 141 weeks.

Rural young women are among the most disadvantaged segments of Egyptian society. This is due to several factors. Firstly, people in rural areas have limited economic opportunities and rely on agriculture for a living. Agriculture is a high-risk sector especially for those who do not have the capacity or experience in mitigating Agricultural risks.

The rural areas are also where you find more women as the men are more likely to move to cities for better work opportunities. Secondly, being young is another disadvantage as formal financial institutions will not be willing to lend money to young people that are inexperienced in running a business. Thirdly, being a woman leads to greater challenges when interacting with the stakeholders within the value chain. Women generally have smaller spheres of influence and hence have lower bargaining power when selling their products. Hence, while the youth in general are a disadvantaged group in Egypt, a woman living in rural areas experience additional challenges in undertaking an economic activity.





## Description:

### Partnering Ard El Khair to develop an incubator program for supporting female youth in Cattle Fattening

IsDB provided USD 50 million financing under a special program dedicated to creating employment for youth. The Micro Small and Medium Enterprise Development Agency (MSMEDA) as the Executing Agency of the YES program approached Ard El Khair the idea was developed to run the incubator program for the poor, young women for a period of about 9 months to develop their capacity in cattle fattening.

Under this arrangement, MSMEDA focuses on the legal and financial arrangements and needs while Ard El Khair engages the young women on providing technical expertise in cattle fattening:

1. The actual sourcing of the young calves would be done by Ard El Khair and in bulk to ensure a low price;
2. Ard El Khair would provide the technical know-how on fattening the cattle to the client;
3. Ard El Khair would arrange for the sale of the end beneficiary's fattened cattle to the market;
4. Ard El khair would also enter into a partnership agreement with the end beneficiary;
5. Ard El Khair would facilitate in the process of getting a loan for the beneficiary by acting as the guarantor while the end beneficiary would commit to the incubation program and work in the farm for 12 hours per week during the incubation period of 9 months.

A Tripartite Agreement was signed between Ard El Khair, MSMEDA and the beneficiaries reiterating the main articles of the MOU as well as the technical and guarantee scheme agreements that would govern the various aspects of the project implementation including the procurement of cattle for fattening, production, training and marketing processes. Based on this agreement, MSMEDA would approve a loan of EGP 500,000 (approximately US\$31,000) for each beneficiary. These Shariah compliant (Murabaha) loans with a 5% mark-up would be used to purchase 20 cattle heads for each young woman. Ard El Khair will provide animal feed and vet services as well as a small allowance which will later be deducted from the proceeds from selling the cows. The financing would be channeled directly to Ard El Khair for the purchase of the cattle. The company would purchase 3000 cattle heads at the lowest cost through an international bidding process for each financing round.

The young women were required to put in 3 hours per day for 4 days a week. Their presence was monitored through a punch-in punch-out system. During this incubation period, the young women would receive an allowance from Ard El Khair. By the end of the training, Ard El Khair would sell the fattened cattle to their clients including hotels, schools and wholesalers and distribute the residual income to the young women after deducting the cost of production and marketing. Post-incubation, the women could still rely on Ard El Khair for advice and services (eg. Veterinary). In addition, they could seek assistance from Ard El Khair to purchase the cattle on their behalf for fattening. The young women also had the option to get Ard El Khair to sell the fattened cattle on their behalf to markets that would otherwise not be accessible to them.



## Lessons Learnt:

### Creating a Triple Win Scenario for all stakeholders

The approach relied on a triple win ensuring that each stakeholder (MSMEDA, Ard El Khair and the poor women beneficiary) will benefit. Ard El Khair will also be able to create many more jobs in the process. Instead of hiring only 150 people on a long-term employment contract, they can effectively create 150 jobs a year for each farm (since the graduating batch remains self-employed by starting a small cattle fattening business at home and is replaced with new young women partners). As for the women businesses who were incubated, they received a good income of USD 166 per month in addition to receiving training on cattle fattening. After graduation, they received certification which made them eligible for a loan to set up their own small farm near their home. The commitment required to work at the training farm is reasonable as the women could still balance their work with their family commitments. In addition, the skills that they learnt will enable them to develop a small productive business at home to earn a better income for themselves and their families. MSMEDA also ensured that their clients will be given professional guidance and repayments as Ard El Khair will be responsible for making the repayment upon graduation. This arrangement significantly reduces their cost and risks.



## Impact and Results:

### Sustainable Jobs for Poor Women in Rural Areas

The economic empowerment model of Ard El Khair facilitates partnership between private and public-sector entities with underprivileged segments of society. The young women who were incubated were treated as partners and not as debtors. About 600 poor young women living in rural areas have been given a source of income on a sustainable basis from 4 rounds of incubation of about 9 months each in just one farm. This pilot has proven to be very successful that it is set to be replicated in Ard El Khair's other farms. By doing this, Ard El Khair will be able to gradually expand their business without requiring to physically expand.

The jobs created by Ard El Khair are more sustainable. The women not only received access to finance but also access



to technical know-how with the training provided while in incubation and access to markets after their cattle have been fattened. Unlike many jobs created from lines of financing which are often temporary in nature, the capacity building provided and partnership with a large NGO that is able to provide access to markets even after graduation from the incubator is essential for sustainability. Creating an incubation and graduation model allows for a continuous flow of beneficiaries to benefit in a sustainable manner while allowing the incubator to gradually grow its business.

In 2020, the Ard El Kheir initiative of the Youth Employment Support Program (YES) was selected among 850 applicants to be showcased at the Paris Peace Forum.



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