

November 2010

ABA- SME

Egypt

Social Rating



Good social return through **excellent** *Social Results* and **good** *Social Commitment*

Social Results **Excellent**
Social Commitment **Good**

Date of visit Sep.10
 Previous Social Rating n.a.
 Date of Previous Social Rating n.a.
 Social Rating completed 1st

Principal Performance Indicators

<i>Social Profile of Egypt*</i>		<i>June-10</i>	
Poverty Index		46%	
Extreme Poverty Index		n.a.	
Unemployment Rate		9.4%	
<i>ABA's Indicators</i>		<i>Dec-09</i>	<i>June-10</i>
Number of borrowers	134,701		160,116
% of rural branches	43%		48%
% of women borrowers	59%		56%
Avg. Loan/GNI per capita	18%		19%
Client Turnover	26%		40%
Cost per borrower (\$)	33\$		30\$
Effective Interest rate***	30.5%		30.6%

* Source: UNDP/ CIA

** \$250 Individual loan for 12 months

Summary

The Small and Micro Enterprise Project of the NGO the Alexandria Business Association (ABA SME) was launched in January 1990. It has a portfolio of US\$ 45 million and serves nearly 161,000 borrowers, with an average loan size of \$280 as of June 2010. ABA SME is mainly focused on remote urban and rural clients. Women represent 60% of all clients. In addition to individual and group lending, it offers several non-financial services to its clients. ABA SME also serves the microfinance sector in Egypt and other countries through training and technical assistance activities.

This report evaluates only the ABA Small and Micro Enterprise Project, not the whole NGO ABA.

Rating Rationale

ABA SME shows high social return, based on excellent social results and good social commitment. The institution finances only income generating activities and average loan sizes are very low. Additionally, diverse non-financial services are offered. The institution aids the microfinance sector through offering its information system and technical assistance to other MFIs.

The excellent efficiency enables very low cost to the client. Responsibility towards personnel is high. Although financially, the institution only breaks even in real terms, there is no doubt about sustainability in the medium term due to strong equity.

ABA SME, part of the NGO ABA, has a clear institutional mission with a strong social focus. The Board and management are highly committed. Some processes to ensure social results, such as hiring and personnel training, are well developed. Although ABA has strong social commitment, it can still improve its strategic planning, monitoring and client protection.

Highlights

Social Results

- + Serves the poorest microfinance sector
- + High efficiency and low cost to the client
- + Strong personnel responsibility

Social Commitment

- + Clear mission with strong social focus
- Lack of social indicators and monitoring of social results
- + Good client service

GENERAL SUMMARY

INSTITUTIONAL MISSION

«Developing the poorest of the poor financially, medically, educationally and socially through demand driven products to provide them and their families a better life style.»

«We are successful organization keen to achieve its balanced financials and social objectives»

The institution is achieving its clear social mission, and shows strong commitment towards the development of the poor. Indeed, ABA SME targets the poorest of Northern Egypt, adding both financial and social value. Its microcredit products are designed for the low microfinance niche and its clients benefit through affordable prices.

Additionally, the MFI offers non-financial services, such as education, insurance and healthcare, among others. ABA-SME helps reduce unemployment through financing start-up businesses with grants and loans. Finally, the institution promotes development in the microfinance sector by selling its unique information system and offering training and technical assistance to other MFIs.

SOCIAL RESULTS (Page 4)

ABA SME's social results are excellent. The institution shows remarkable depth of services but limited diversity of financial products. The MFI is one of the most efficient rated by MicroRate and its social responsibility towards staff is notable.

Depth and Diversity of Services (Page 4)

The institution shows very good depth, but limited diversity of financial products. There is a strong focus on women and poor clients in both rural and urban areas. The low average loan size and appropriate collateral make ABA SME one of the leading MFIs in Egypt helping to fight poverty. The MFI also offers a variety of non-financial services.

Efficiency, Cost to the Client and Sustainability (Page 5)

ABA SME is one of the most efficient MFIs in comparison with other MFIs rated by MicroRate. This efficiency benefits clients in the form of lower


interest rates. Although profitability is exiguous in real terms, the institution's strong equity leaves no doubt about its sustainability.

Institutional Responsibility (Page 5)

The MFI demonstrates good institutional responsibility, particularly towards its personnel, and has very low staff turnover. Client turnover, however, is high and there are currently no studies measuring client satisfaction. The MFI is increasing its responsibility towards the community through offering literacy classes to clients' families and countering unemployment by providing grants for start-up business.

SOCIAL COMMITMENT (Page 7)

ABA SME shows excellent social focus and good social performance management. Both the board members and the management team are committed to the mission, which is clear and well communicated throughout all levels of the organization. However, the strategic plan and monitoring processes need to be improved through the definition and control of specific social indicators in order to ensure continuation of the institution's excellent social results. Personnel hiring and training processes are strong, although client protection training has not yet been developed. The institution provides good client services, yet the client protection process lacks an appropriate system to receive client complaints.

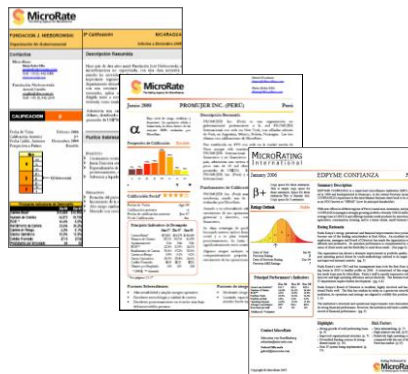
MicroRate Grading Scale for Social Reports	
Social Rating	<p>Measures the social return of an investment in an MFI through the evaluation of Social Results and Social Commitment.</p> <p style="text-align: center;"></p>
Social Results	<p>The MFI is judged on its social results, the poverty focus of its target Microfinance niche, the cost and efficiency of its services, its social responsibility, and fulfillment of its social mission.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>
Social Commitment	<p>Measures the social focus and level of commitment of an institution and assesses the probability of a MFI deviating from its social mission in the future.</p> <p style="text-align: center;"><i>Excellent – Good – Fair – Poor</i></p>

Interested in the full report?

The full Social Rating includes detailed information on the following:

- Social Results
- Depth and Diversity of Services
- Efficiency, Cost to the Customer and Sustainability
- Institutional Responsibility
- Social Commitment

This social report is available for purchase. If you are interested in purchasing a report, please contact MicroRate at 1-703-243-5340 or email info@microrate.com.



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