



Social Fund for Development

Communication on Engagement
2013- 2016

Social Fund for Development COE 2013 - 2016

Statement from the Managing Director

To Our Stakeholders,

I am writing to reassure Social Fund for Development (SFD) support for the ten principles of the UN Global Compact with respect to human rights, labour, environment, and anti-corruption.

With this renewed commitment, we express our continued enthusiasm and intent to advance these principles within our sphere of influence, and will make a clear statement of this commitment to our stakeholders and the general public.

We also pledge our continued participation in the activities of the UN Global Compact. Based on the highly successful collaboration as comprehensively described in our first communication on engagement report, SFD will continue to participate in Country/Local Networks; involvement in specialized initiatives and work streams; engagement in partnership projects; and reviewing and providing commentary to participating companies on their Communications on Progress.

Social Fund for Development Communication on Engagement (COE) achievements in the years 2013 – 2016 follows.

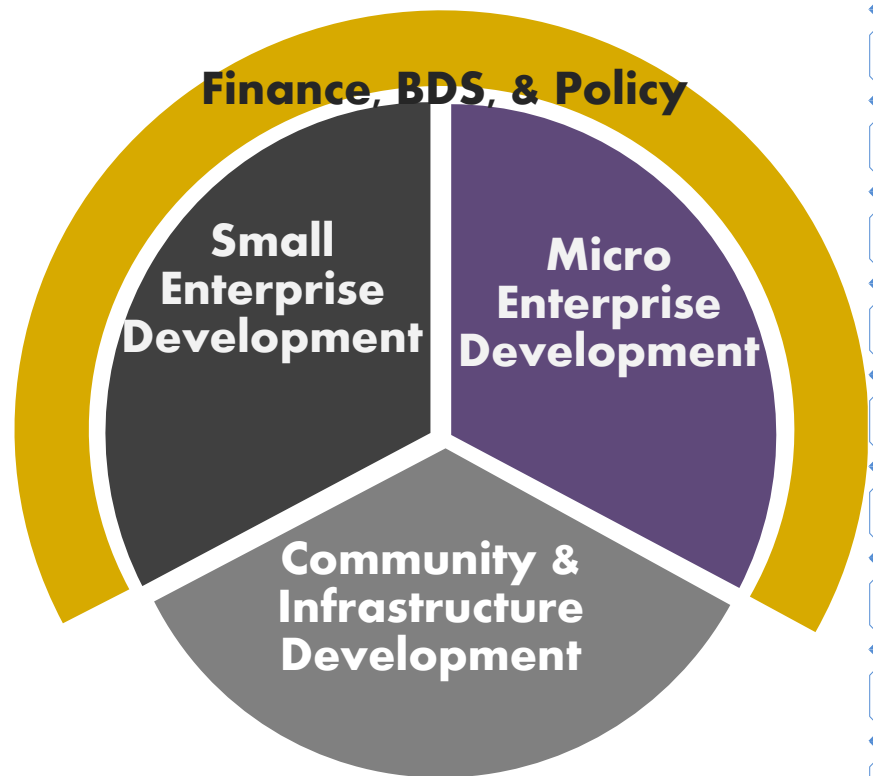
Sincerely yours,

Ms. Soha Soliman
Managing Director

About Social Fund for Development

The SFD was established by a Presidential Decree in 1991 as a social safety net mechanism aiming at mitigating the negative social impact of the Economic Reform and Structural Adjustment Program (ERSAP). Since then, the SFD has developed into an organization mobilizing national and international resources to invest in socio economic development with special attention to job creation through MSEs development and the enhancement of the quality of life of low-income groups. SFD, being mandated to develop the MSE sector in Egypt, provides direct and indirect financial, non-financial services and policy support for MSEs.

In addition, SFD administer and finance emergency labor intensive projects for the unskilled and semi-skilled labor, assisting in employment creation through community and infrastructure development. SFD operates through its (31) Regional Offices Network that are spread all over the country aiming at providing incentives and facilitating the procedures necessary to establish and start small enterprises, also to deliver for MSMEs a range of financial and non-financial services, so that optimum choices are made and enterprises do not end up in financial difficulty.



In practice, the SFD has been positioned primarily as:

A Source of Small and Micro Finance: A source of financing for microcredit implemented through NGO intermediaries to mostly individual borrowers operating in the informal sector and small business loans to small enterprises. The SFD's involvement is intended to broaden access to business loans by rendering a wider array of potential borrowers eligible than would normally be the case if limited to existing bank lending practices and criteria and to create both

short- and long-term jobs either under sole proprietorship or in the form of informal or formally registered companies and private contractors associated with them. In this respect, it is also intended to encourage enterprises to be registered and enter the formal sector where they are more able to access financing and non-financial services.

A direct source of credit: The SFD has recently experimented with Direct Lending (i.e. where no intermediary is used and where SFD lends directly to MSEs. The Direct Lending programme has so far been used not to compete with existing intermediaries, but to spearhead and demonstrate the viability of lending in segments of the market such as start-ups that are considered unacceptably high risk and off limits for banks and most NGO intermediaries at the present time.

A Substantive Coordinator: As the Secretariat to its own Board that is chaired by the Prime Minister, the SFD role in coordination has been primarily of an administrative nature despite the growth of its outreach capacity (through its Zonal and Regional Offices). However, its cumulative experience with bottlenecks and problems in the sector, its strengthened institutional capacity, and its change in management had qualified it to be the governmental recognized coordination body through law 141. In addition, SFD has been assigned recently by the Prime Minister to act as the Technical Secretariat and coordinating body for the MSME High Ministerial committee that will be responsible for formulating a national MSME strategy and implementing policy and regulatory reform necessary for the growth and development of MSMEs.

Creator of an Environment Conducive to MSME Growth: On the other hand, the SFD has effectively lent its support to the creation of essential institutional infrastructure in the sector that serves to mitigate the risk taken on by lending institutions and creates conditions that facilitate the entry of a wider range of financial institutions into the MSME sector.

By demonstrating the financial and economic viability of entrepreneurship and lending to MSMEs, the SFD has served to attract more actors to the sector, many of which both provide loans and services in conjunction with the SFD or independently.

The role of the SFD has also been to foster the development of institutions that are essential if micro- and small-lending to MSMEs is to grow in Egypt; it has variously funded, provided advice to, and/or taken positions on the boards of insurance agencies providing loan guarantees, NGOs that provide loan monitoring and extension services and credit monitoring institutions.

The SFD, building on its role as an institution that straddles the public and private sectors, is positioned as an agency that brings together both practical experience “on the ground” and policy experience to coordinate, supervise, and implement diverse development programmes and projects.

Social Fund for Development COE

2013 - 2016

SFD believes in the importance and the added value provided through networking among the global compact members, the local network global compact meetings, along other regional meetings provide chance for such networking, and exploring the chance for SFD as a quasi - governmental organizations to learn from the needs of other entities, which contribute in designing of the projects that fulfil those needs, also give the chance to exchange experiences and enrich each organizations mission and objective.

In this regard, SFD was delighted to participate in the following areas and activities, as per its commitment towards the global compact and to engage with the initiative, throughout the following activities:

First: Participate in Global Compact Local Networks

SFD had the chance to enrich its participation through discussion with members among its participation in some of the organized meetings by local network in Egypt, as follows:

- Participation in Ramadan Iftar on 22nd of June, 2016, this was an exceptional event as it comprises the distribution of the United Nations Global Compact Participant Certificates and the re-commitment of the UNGC principles, it was a great opportunity to exchange views and experiences and network among members.
- Participation in the first “In-Focus session” on 21st of March, 2016, this session focused on current issues concerning the role of businesses in ensuring Human Rights and Labour Rights, the discussions were articulated around five thematic areas and sessions: Business sector’s responsibilities towards human rights; Business sector’s responsibilities towards labour rights; Increasingly crucial importance of CSR within businesses; Gender Equality within businesses and corporate boards and Finally: Importance for corporations to enabling work environment and employees' wellbeing in the workplace. The main added value from this session was highlighting how integrating human rights concerns into business strategy is the best attitude companies can adopt for a proper impact management, assessment of operational risks and alignment of business actions with the expectations of society and individuals and how companies seriously engaged with both international Human Rights agendas and CSR policies can achieve more gains for their business.

- Participation in the sustainable business circle on 24th of February, 2016, which is a continuation for the business circle held on 31st of January, 2016 that aims to explore the topic of inclusive business and its impact on the Bottom of the Pyramid (BoP), this session covers Sustainable Development Goals: 8, 10 and 11.
- Participation in the COP training on 23rd of February, 2016, it was a great added value to discuss various topics with the network members, and also get introduced in more details on how to draft a COP report that provides a thorough disclosure of selected activities in relation to the UNGC's 10 principles.
- Participation in the sustainable business circle on 31st of January, 2016, that aims to explore the topic of inclusive business and its impact on the Bottom of the Pyramid (BoP) and the community at large. It is a useful opportunity to address means of contribution to the development of a sustainable and inclusive market in Egypt, and how the Private Sector could have an active role towards this change, this session covers mainly Sustainable Development Goals: 1, 3, 4 and 8
- Participation in the first Webinar on 21st of December, 2015, it aims at Introducing the Global Compact Network Egypt new independent Secretariat and sharing the Work plan for 2016 with GC Network Egypt members, it was an innovative and interactive tool for communication, and an opportunity to explore various means for cooperation under the new structure that ensures sustainability.
- Participation in the sustainable business circle on 15th of December, 2015, this session was concerned with "Volunteerism & Entrepreneurship", discussing how entrepreneurs could be benefited by and/or involved in volunteerism practices.
- Participation in the sustainable business circle on 30th of September, 2015, having the opportunity to address a number of stories of some of the most promising women entrepreneurs of Egypt, the challenges they faced, the opportunities still ahead of them, and most importantly, how they continue to sustain their business through it all, this gives a good chance to pinpoint main challenges of those success stories and challenges currently undergoing, which assist SFD in its mission and objectives, and in articulating such needs in the projects presented through various stakeholders.
- Participation in Ramadan Iftar on 1st of July, 2015, as to discuss gender and organizational change of how social psychology and sociology work on creating gender sensitive organization, it was a great opportunity to exchange views and experiences over this topic.

- Participation in the COP/COE training on 8th of April, 2015, it was a great added to discuss various topics with the network members, and also get introduced in more details to the technicalities in conducting both the COP/COE.
- Participation in the First FEI/ILO Annual Conference on (The Role of Corporate social Responsibility in enhancing competitiveness) on 3rd of February, 2015, this conference discussed the perception and reality of the business's social responsibility performance can influence: its competitive advantage; its reputation; its ability to attract and retain employees; its relations with customers, clients; its productivity; the view of investors, donors, sponsors and the financial community, by trying to identify the roles of the different stakeholders in promoting CSR principles and enhancing CSR policies and the most efficient ways to integrate corporate socially responsible behavior into stakeholders' organizational strategies, systems and practices, participation in such a conference enriched debate among various stakeholders.
- Participation in the conference of "Egyptian Corporate Responsibility: The Way Forward" organized by ECRC in cooperation with the Industrial Modernization Centre and UNDP and funded by the Dutch Embassy, and under the auspices of the Ministry of Industry, Trade and Investment on 22nd of June, 2014, presenting 3 case studies and their recommendations, it gives the opportunity of exchanging experience, learning and discussing different methodologies and steps that could be provided in diversified sectors to facilitate the successful implementation and incorporation of CSR concepts.
- Participation in Sustainable business Circle (SBC) focus on Environment on 14th of May, 2014, it was good chance to network with a number of relevant institutions assisting SFD environment unit in get introduced to the latest developments in this area.
- Participation in the Sustainable business 4th roundtable, organized by GCLN Egypt, and Ice_rih on 9th of October, 2013, with the main objective of learning from the launching of the Sustainable Start Up Handbook, which present one of the successful Egyptian case studies, also knowing new initiatives, for the support of GC and promotion of the implementation of the GC ten principles among stakeholders. This participation provided SFD with a number of possible areas of cooperation, through benefiting from the Business partnership Hub, new initiative for catalyzing business actions
- Participation in the Sustainability Reporting workshop on 27th of September, 2012, with the main objective of acquiring a clear explanation on how to prepare Communication on Progress (COP) reports using the Global Reporting Initiative (GRI), which gives a good overview for SFD to assist SFD in engaging its clients to attract them to join global compact.

Second: Internalize the Global Compact and engage companies

- In coordination of the GCLN, SFD facilitated the organization of a focus group discussion with a number of women entrepreneurs in Gharebeya governorate, one of the delta region governorates areas, to get insights of the women entrepreneurs to assist in “National Assessment of Women’s Entrepreneurship development Framework Conditions in Egypt”, this focus group attracts the interest of participated women entrepreneurs to know more about global compact, in a way to be members among the network.

This interest explored the previously discussion with the ECRC to conduct a series of workshops for SFD and its clients, to introduce GC principles, and how to get engaged. The future plans under this activity is to conduct a number of workshop with number of joint projects with SFD stakeholders, especially the one with European Bank for Reconstruction and Development (EBRD), as this will be an added value and fulfill the women entrepreneurs needs in networking with other entities, this provides them with a number of channels highly requested.

- Conducting a meeting with the GCLN Egypt, on 8th October, 2012, to get introduced to ECRC role in UNGC as focal point and discuss the possible areas of cooperation, in way to conducting a series of workshops for SFD and its clients.

Third: Participate in Global, Regional, and Local Events

- Participation in the global compact regional meeting entitled “Corporate Sustainability & Social Development” on 17th of December, 2014, this event gives the chance for a wider networking opportunities, learning from other experiences.

Social Fund for Development United Nations Global Compact Principles

SFD have supported the ten principles of the UN Global Compact with respect to human rights, labour, environment, and anti-corruption through its sphere of influence, by disseminating the principle areas in its operation, SFD is considered a project from UNDP, and also a quasi-governmental organization as being headed by the Egyptian Prime Minister in SFD board of Directors.

In this regard, UNDP has requested at the end of its fourth phase of support to the SFD and as Egypt as a whole is facing a new economic environment in the wake of the Egyptian Revolution of January 2011. The purpose and rationale for the review that: “UNDP and SFD have agreed to conduct an evaluation of the Social Fund project in order to capture and validate the SFD results, identify lessons learned and identify areas that require further support or strengthening.”

More specifically the intention was too:

- Assess and validate the achievement of the UNDP/SFD project as well as the achievements of the SFD and the strategic, policy and institutional factors that have led to the achievement (or impediment) of results.
- Conduct a capacity assessment of the Social Fund (including regional offices) to identify existing capacities of the SFD and identify needs that can benefit from additional support
- Validate the relevance, efficiency, effectiveness, and sustainability of the SFD programmes. More specifically, the evaluation should:
 - Validate the efficiency and effectiveness of the credit providers of SMEs through the SEDO programme and the micro finance programme.
 - Validate the efficiency and effectiveness of the non-financial services provided to SFD beneficiaries.
 - Evaluate the development results of the human resources and community development group, including the public works project and recommend future direction.
 - Provide recommendations for the future of SFD in relation to developing its role in developing the MSMEs sector and job creation.
 - Assess how the SFD sought to mainstream gender in development efforts.
 - Assess the strengths and weaknesses of the M&E systems/tools in SFD and the capacity of the M&E Team and review the project’s M&E framework and the establishment of the appropriate indicators and quality criteria to measure future implementation with assigned roles and responsibilities.

- Assess SFD's Communication plans and how effective they are in reaching their stakeholders
- Assess SFD partnership strategy: Examine SFD's partnerships (including the UNDP-SFD partnership) during the evaluation's timeframe and assess the value and relevance of these partnerships in supporting SFD's mandate.
- Evaluate the decision making process for fund allocation and use,

The results was presented on November 2011, although this review was conducted on November 2011, however, the recommendations presented in this review are still in progress till now.

The reason for exploring this review, is the steps undertaken by SFD after conducting this review till the time of conducting COE, it could be addressed under the following main developments:

First: Institutional development, from Financial and administrative dimension

- Approval and implementation of a New Organizational Structure, aiming at increasing SFD efficiency at Central & Regional levels, in addition to the establishment of new units; Governance, Gender, Environment, & Policy Development
- Finalization of Training Needs Assessment & Job Descriptions for all SFD Organizational levels, according to new structure. 90% of Staff trained on technical & management skills
- Developing a system for Career Path, Promotions & Performance Appraisal
- Developing Financial & Administrative Regulation, Human Resources Regulation including Sanctions & Code of Ethics

Second: Institutional development, from Technical dimension

- Updated SFD Credit Policy
- Reviewed and developed MSEs Field Monitor Mechanism
- In process of enhancing BDS & studying Incubators ' development
- Conducted a Study for MSEs Job Assessment
- Implemented a new mechanism to improve SFD OSSs Procedures
- Updated & developed SFD 's portal and IT infrastructure
- Developed MIS system to monitor Labour Intensive Projects on village Level
- Implementing RBM system on all levels