



## Sanduq: A Rural Microfinance Innovation

In Syria, a *sanduq* – a local microfinance institution owned and managed by its members – provides much needed loans to poor rural people, with particular attention to women.

**S***sanduq* (pl. *sanadiq*) literally means “savings box”. In the IFAD-supported Jebel al-Hoss Agricultural Development Project, the term *sanduq* refers to an autonomous microfinance institution that is owned and managed by its members – a novel concept in a centralized banking system. The United Nations Development Programme (UNDP) promoted the *sanduq* microfinance initiative in some areas where the project was being implemented. IFAD identified the target groups, trained them and assisted in appraising the loan applications; UNDP provided financial support to the *sanadiq*. The *sanadiq* are self-managed and autonomous in their decision-making, which has included the adoption of financial practices consistent with local values. The start-up is self-financed through member share capital, from which small loans are given for up to three months. Whenever initial financial intermediation is satisfactory, the project provides an additional capital injection, thereby increasing outreach, loan sizes and loan periods. Special attention is given to women, who constitute 41 per cent of the membership. Most of the women are illiterate.

### Country:

Syria

### Direct Beneficiaries:

Small farmers, pastoralists, rural women and other poor rural people

### Results:

- In Jebel al-Hoss, 30 *sanadiq* have been established, with membership at 4,000 men and women. A total of 1,400 loans with an average size of about US\$566 have been granted, with a repayment rate of 100 per cent as of 31 December 2008.
- In Idlib, where the initiative was replicated, 20 *sanadiq* have already been established. Loans permit farmers to bypass traders-moneylenders and sell their produce at a higher price, and microentrepreneurs use quick-turnover repeat loans for new investments and to build their businesses rapidly.
- Women are increasingly participating in the *sanadiq* as owners, managers and users.

### Main Lessons:

- Poor people are able to mobilize their own human and financial resources.
- As shareholders, they are capable of financing and managing their own local financial institutions.



### BASIC INFO

#### Sources:

Omar Imady and Hans Dieter Seibel, *Sanduq: A Microfinance Innovation in Jebel al-Hoss, Syria* (NENARACA Newsletter, 2003)  
*Idlib Rural Development Project – Appraisal Report* (IFAD, 2003)  
*North Eastern Region Rural Development Project – Redesign of the Rural Financial Services Component* (IFAD, 2008)

#### Project Names:

Jebel al-Hoss Agricultural Development Project  
Idlib Rural Development Project  
North Eastern Region Rural Development Project

#### Project Starting Dates:

2000, 2005 and 2008

#### Contact:

Mr Abdelhamid Abdouli, PN Division, IFAD  
(email: a.abdouli@ifad.org)

### WEB PAGES

#### IFAD operations in NENA and CEN:

<http://www.ifad.org/operations/projects/regions/pn/index.htm>

#### IFAD learning notes:

<http://www.ifad.org/rural/learningnotes/index.htm>

#### IFAD NENA Gender Programme:

[http://www.ifad.org/nena/studies/syria/sy\\_363.htm](http://www.ifad.org/nena/studies/syria/sy_363.htm)

#### IFAD case studies:

<http://rpr.ifad.org/node/531>  
(username and password: “guest”)

## Background

Jebel al-Hoss is comprised of 157 villages in one of the poorest areas in Syria. Life is harsh, given the rocky surface of the land and the dry climate. And poor rural people have limited access to sources of finance, because of high interest rates that moneylenders charge or physical collateral that traditional financial institutions require.

In 2000, UNDP promoted the *sandug* microfinance initiative in some areas where the IFAD-supported Jebel al-Hoss Agricultural Development Project was being implemented. The aim was to provide sustainable access by low-income people to financial services and income-generating opportunities. UNDP provided financial support to the *sanadiq*, whereas IFAD identified the target groups, trained them and assisted in appraising loan applications. The first *sandug* was established on 1 September 2000.

## Sandug versus Savings and Credit

The *sandug* is an improved version of a savings and credit association, and differs from it in the following respects:

- 1) the *sandug* requires mandatory membership – a client cannot borrow until membership shares are paid;
- 2) a farmer may borrow from a *sandug* even if she does not place her savings in it;
- 3) all members (regardless of whether they are active borrowers) are entitled to receive annual dividends based on their contributions to *sandug* resources; and
- 4) each *sandug* requires seed money during its first two to three years, which is paid back to the government without interest.

## Basic Principles

Four principles are fundamental to the *sandug* approach: self-reliance, autonomy, sustainability and outreach to the poor.

“Self-reliance”, in terms of mobilization and ownership of local resources, refers to: cultural self-reliance, based on the concept of the *sandug* as

an ancient community-based financial institution; organizational self-reliance, based on *sandug* self-governance by local men and women through elected committees; and financial self-reliance, based on the self-financing of the *sanadiq* through share capital paid up by the members and retained earnings, derived from adequate, non-subsidized financial margins and insistence on full repayment of loans.

“Autonomy” is based on self-selection of member-owners, in the choice of financial products, in the determination of margins and in lending decisions.

“Sustainability” is based on the establishment of operationally and financially self-sufficient local financial institutions, together with a regional association and a regional fund.

“Outreach to the poor” is achieved through growth in the number of members, expansion in the number of *sanadiq*, growth of resources, and dissemination of the approach among other agencies and areas throughout Syria.

## Spotlight on Women

Women are given the opportunity to own and manage *sanadiq*. Within the framework of their cultural traditions, they have opted for integrated *sanadiq*: first establishing their own women’s sections, then participating in the management committee. Women have participated in *sanadiq* as owners from the very beginning: during the first two years, the proportion of women members increased from 35 to 41 per cent; and women’s share capital from 33 to 40 per cent.

Women’s active participation has also increased dramatically: the proportion of women borrowers has increased from 13 to 33 per cent; the proportion of women’s loans outstanding from 6 to 29 per cent. They find access to loans easy, as *sanadiq* do not require physical collateral.

Access to finance – along with training that project staff have offered in production and marketing – has allowed women to establish their own small

businesses, such as fattening sheep, raising cows, opening small shops and renting land to plant cash crops. The additional income is used for business growth and family support.

## Replication and Scaling Up

In 2005, building on the success of the initiative in Jebel al-Hoss, IFAD replicated it through loan proceeds to the Idleb Rural Development Project: 20 of the 30 *sanadiq* originally planned have already been established in the Idleb Governorate. The lessons learned from the former initiative constituted the conceptual framework of the latter.

Among them:

- The project document was prepared by the beneficiaries and was flexible.
- Socio-economic surveys provided tentative information on the needs of the population, while more accurate information emerged after project activities were launched.
- The project addressed the “middle class” of the poor, who are more easily convinced to play an active role in the economic regeneration of their communities.
- Cultural issues regarding credit and interest rates were taken into serious consideration.
- The role that women were to play was decided community by community.
- Income-generating activities were selected on the basis of marketing considerations.

More recently, IFAD’s North-Eastern Regional Rural Development Project extended the initiative to the north-east of Syria, where it plans to set up *sanadiq* in 96 villages.

## NOTES

.....  
.....  
.....  
.....