



EVALUATION HIGHLIGHTS

In Tunisia, the emergence of a sustainable microfinance sector

Scope	8 projects
Area of intervention	Tunisia
Donors	AFD, Proparco
Amount	€42.65 M
Period	2013-2018
Evaluation conducted by	Technopolis Group*

Microcredit is a key tool in Tunisia for promoting the financial and economic inclusion of the most disadvantaged people, in both urban and rural areas. AFD Group has been working since 2011 to support the Tunisian government's strategy to help foster and develop a more competitive microfinance institution market across Tunisia.

Background

Since the 2011 revolution, AFD Group has supported the Tunisian authorities in their efforts to help build the country's microfinance sector. Besides its support for Enda, a long-standing player in the sector, AFD Group has helped launch new microfinance institutions (MFIs) within the framework of the regulations adopted in 2011. The objective was to promote their growth and the diversification of their activities, support their professionalization, improve their governance, and stimulate bank financing targeting MFIs.

To this end, AFD and Proparco set up four types of support for MFIs:

- Equity investments, to develop MFIs' equity and support their growth
- Bank refinancing of MFIs
- Direct financing of MFIs via credit lines
- Providing technical assistance to MFIs, especially for their governance

The eight projects evaluated were part of an overall objective of developing sustainable microfinance in which financial exclusion is reduced and a better balance between regions is obtained.

FOCUS

NEW DYNAMISM SINCE 2011

The NGO Enda launched microcredit in Tunisia in 1995. Microcredit initially developed in a not-for-profit form, making it an important social player, but with limited economic efficiency. Following the 2011 revolution, a decree-law on MFI activities allowed MFI public limited companies (i.e., profit-making MFIs) to grant microcredit.

This new regulation transformed the microfinance sector: among other things, it has helped build a competitive environment in which financial products better meet the needs of micro-entrepreneurs. As of September 2021, there were seven MFI public limited companies in Tunisia.



The key project outcomes

4 MFIs received technical assistance

- Support for the **creation** of Microcred Tunisia (now Baobab Tunisia), Taysir, and Centre Financier des Entrepreneurs (CFE)
- Support for Enda to formalize its **gender** approach

→ **This technical assistance supported capacity building for MFI teams and the structuring of the three new MFIs.**

2 MFIs received direct financial support

- 2 **loans** granted to Enda, one for its activity development and one for the financing of two agriculture-related products
- 2 **equity investments** by Proparco (in Enda and CFE) to support the development of these MFIs

1 credit line granted to Amen Bank

to develop its refinancing offer intended for the sector and thereby making it possible to **refinance 6 MFIs**

→ **This financing action helped support the growth of MFIs (including in rural areas) and make them credible vis-à-vis the financial sector.**

Evaluation conclusions



Structuring the microfinance sector

- **Alignment with Tunisian government strategy:** AFD Group's actions have promoted the diversification of the sector and better coverage of the territory, in coordination with other donors.
- **AFD Group's range of complementary support adapted to the needs** of the sector contributed to the microfinance performance observed in Tunisia.
- **Support for the structuring of new institutions** has led to improvement in their skills and governance, etc.

Development and financial performance of supported MFIs

- **Growth of the 4 MFIs supported over 2016–2021:** CFE, Enda, Microcred and Taysir developed their range of products, their outstanding loans (threefold growth overall), their client base (+59% overall), and their network of branches in the regions (+62.5% overall).
- **Financial sustainability:** most of the MFIs have a healthy portfolio. Enda was already profitable at the beginning of the period, and the others are on the path toward profitability and self-sufficiency.

Social performance of supported MFIs and effects on final beneficiaries

- **MFIs cover a new client base:** people in "gray areas", who lacked access to bank loans and who had access to only limited credit from microcredit non-profits.
- **Agriculture is the second-most financed activity** (29% in 2021) after trade (34%). Rural areas are covered, with two MFIs in particular having high rates of rural clients: Taysir (74%) and Enda (45%).
- **Effects can be seen on the activity** and income of clients, and more generally on their quality of life, even if the effects are difficult to quantify.
- **Social link has been strengthened** thanks to the development of MFIs in the country and the increase in the number of clients (via the social role of credit agents on the ground, old clients co-opting new ones, and support services offered in addition to microcredit).



- **Beyond microcredit, change is still needed** in the regulatory framework, to provide for better financial inclusion of target populations through micro-insurance, deposits, digital financial services, etc.
- Inflation and the political situation make for **great uncertainty about microfinance's current situation in Tunisia**.
- **Operating costs and risk-related costs are high** for MFIs targeting isolated populations, who often lack collateral.
- **Refinancing remains a big constraint** for the development of MFIs, both with the local market and with foreign currency lenders.
- **Digitalization** is becoming a major challenge for MFIs for the development of a complete range of services.
- **Lack of monitoring data:** MFIs do not provide precise indicators (growth of financed activities, number of jobs created, income of beneficiaries, etc.).
- **Women's financial inclusion remains a weak point:**
 - Even though microfinance activity has grown overall, the proportion of the number and amounts of microcredits allocated to women have fallen sharply: Women were the beneficiaries of 67% of microcredits in 2014, compared to 45% in 2021. This can be explained by the fact that women's activities are more informal and that women rarely have guarantees.
 - Only two MFIs (Enda and CFE) have adopted a strategy and specific products for women.

"I first heard about Enda because they organize a lot of events. It's a well-known organization in the region. After I repay this loan, my goal is to take out another one to grow my business."

With a microcredit of 2000 dinars (about 600 euros), Sabiha Ayari, a potter, had her truck repaired and bought raw materials.



Four portraits of micro-entrepreneurs to discover on proparco.fr



PROSPECTS FOR FUTURE ACTIONS

- **Support the legislative and regulatory changes needed** to strengthen the microfinance sector, especially on the issue of financing MFIs and on structuring projects for financial inclusion.
- **Provide technical assistance to MFIs** on some of these projects, including for digital transformation and the development of a micro-insurance offer.
- **Strengthen, monitor, and evaluate the social and environmental performance of MFI actions**, especially by improving the targeting of actions for greater inclusiveness of (women) and consideration of environmental issues. This can be done by supporting the adoption of social performance management standards and the measurement of the sector's impact.

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