



*enda* inter-arabe

micro-credit program

**c r e n d a**



*Towards self-sufficiency*

Business Plan  
2003 - 2005

February 2003

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**Micro-Credit Programme**

**Business Plan**  
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## 1. Introduction

### a. Review of the Institution

Enda Inter-Arabe (environment and development in the Arab World) is an international non-profit NGO. A member of the ENDA Third World family (based in Senegal), it has been operating in Tunisia for over 12 years. Starting from a team of two, the co-founders, in 1990 and working in its early period on ecological issues, in 1993, it launched into what was to become its main area of activity, urban development. In 1995, it began the micro-credit programme, CRENDA. By 2001, the organisation was practically operating in only two areas, organised separately: financial services (loans) and non-financial services (support for micro-entrepreneurs).

The CRENDA programme has developed fairly fast, given insufficient loan capital needed to face up to demand. So far, it has been operating only in underprivileged suburbs of Tunis. The clients, who are 80 per cent women, are active in commercial businesses (67 per cent), production and crafts (25 per cent), services (7 per cent) and animal rearing (1 per cent).

In October 2002, from 7 branches (5 offices), the programme covered 10 districts (*délégations*): Ettadhamen, Mnihla, Omrane supérieur/Ettahrir, Douar Hicher, Oued Ellil, Hrairia/Ezzouhour and more recently Sidi Hassine. Branches are opened as markets are penetrated and this will lead to decentralisation of the programme, as the branches will eventually take over daily management of their operations.

In October 2002, the programme had 7 000 active clients and a portfolio of 1,5 million Euros. It aims to attain approximately 25 000 active clients by the end of 2005.

Crenda follows micro-finance best practices that have been developed on the basis of many years' experience of micro-finance institutions around the world. The programme proposes stepped loans starting from small amounts (100 - 150 Euros) that can reach 3600 Euros in stages provided the client has an impeccable repayment record.

\* The solidarity group loan (*majmouaa*) entails creating a group (average 4 - 5 persons, self-selected, with a majority of women), members providing a mutual guarantee for repayment of the loans of all the members' loans. Exceptions aside, the early loan cycles must go through groups.

\* The individual loan (*fardi*) is available to established clients that have repaid at least three cycles of group loans on time and to new clients able to put up solid guarantees.

\* The express loan (*solfa*) can be granted concurrently with a regular loan and can be granted to the best clients with the aim of enabling them to increase their turnover at particular periods (month of Ramadan, religious festivals, return-to-school period...) when their own clients increase their expenditures.

\* The « occasion » loan (*fôrça*), also granted concurrently with an regular loan, enables clients to seize some particular occasion to clinch a good deal and needing funds at short notice.

\* The *Istithmar* loan is for investment (the others being basically for inventory). Providing higher amounts over a longer period, this type of loan can also be obtained concurrently but only by established clients with an impeccable record.

Details on the conditions of these various types of loan will be found in [appendix table 1](#).

Clients repay regular monthly amounts directly to the bank or to the enda cashier. The amount includes principle as well as the fees and commissions that enable the institution to cover operational expenditures and ensure outreach sustainably.

Loans support various income-generating activities including small shops (grocery stores, clothing ...), production (seamstresses, leather goods, furniture...), and local services (hairdressers, telephone, photographer, repairs), as well as, to a minor degree, animal rearing.

The institution expects to reach operational self-sufficiency in 2003 and financial self-sufficiency by the end of 2005.

Since the programme is recording very satisfactory performances (see below), it is planned to extend activities to other areas, possibly away from the Tunis vicinity. To this end, loan capital will have to be increased either by fresh subsidies or by having recourse to banking system. With respect to the second point, the institution is hampered by regulations that currently do not provide for NGOs to access bank loans.

**Table 1: Institutional Profile**

<b>Parameters</b>	<b>Description</b>
Type of intervention	Support for micro-entrepreneurs, especially women, in disadvantaged suburbs,
Types of micro-enterprise	Retail sales, crafts, production, services, animal rearing
Number of branches	7
Number of loans officers	28
Number of active clients	7 000 on 31st October 2002
Value of portfolio	1,5 million Euros
Staff	55
Main funding sources	European Commission, Spanish Cooperation (Intermon/Oxfam), ICCO (Netherlands), Ministry of Women and Family (Tunisia).

### **b. Strategic Planning**

In April 2001, all enda's staff met for a two-day retreat in order to conduct a SWOT analysis covering all the institution's activities and to define a strategy for the forthcoming three years. In January 2002, a strategic plan, with details for each branch, was worked out by the loan officers and supervisors, with the operations coordinator and a representative of the administration.

This exercise was followed up, in February 2002, by a detailed strategic and operational planning exercise conducted by a representative group of CRENDA staff (field and administration) under the guidance of an external consultant, Mohammed Khaled, director of FATEN, Palestine. Twenty-five persons took part actively in the six-day meeting, that also served as an intensive training exercise, to reflect on the strategic plan for 2002-2004. At the end of that period, enda expected to reach 14 000 active clients.

Finally, in October 2002, again under the guidance of Mohammed Khaled, this first work was completed and up-dated for 2003 –2005, concluding that 25 000 active clients could be reached by the end of that period.

## **2. Vision and mission of the institution**

Enda's team reviewed and revised the vision and mission of the institution to read as follows:

### **a. Vision:**

*Every micro-entrepreneur in Tunisia has access to credit.*

### **b. Mission:**

*Provide sustainable and high-quality financial and non-financial services to micro-entrepreneurs in poor neighbourhoods of Tunisia to strengthen their economic conditions and bring improvements to their lives.*

**c. General Objectives:**

- 1 Provide micro-entrepreneurs in underprivileged urban areas with regular and sustainable financial services.
- 2 Offer varied financial products adapted to clients' needs.
- 3 Apply efficient methodologies while maintaining quality services to clients.
- 4 Reach operational self-sufficiency by the end of 2003.

More specific objectives were also defined:

**d. Socio-economic objectives:**

1. Improve the incomes of clients that have received at least 5 loans in 3 years.
2. Improve entrepreneurial capacities of clients benefiting from non-financial services.
3. Raise women's ability to participate in decision-making.

**e. Institutional objectives:**

1. Reach 25 000 active clients by the end of 2005
2. Cover operational and financial expenditures and make a profit for use in providing non-financial services.
3. Improve programme performance and efficiency.
4. Contribute to improving the regulatory environment and thus make it possible for other NGOs and institutions in Tunisia to adopt micro-credit best practices.

**4. Market and clients**

**a. Market analysis**

According to the 1994 census undertaken by the National Statistical Institute of Tunisia, the total population of the suburbs where the programme currently operates will reach some 832 000 by the end of 2005 on the basis of estimations taking an annual growth rate of 6.1% (see [Appendix table 2](#)).

Presently, Crenda has concentrated its programme on underprivileged suburbs to the North and West of Tunis and has partially decentralised its activities by opening seven branches (operating out of five locations) in order to provide its services close to its clients.

Estimates of the population and potential clients are to be found in an [appendix table 3](#).

**b. Client analysis**

Enda's programme is aimed at underprivileged people, many without formal schooling but having entrepreneurial abilities, and mainly women (80% of the clients), usually already with a business, the latter being frequently home-based. The experience of other micro-finance programmes shows that it is risky to deal with clients not yet having set up their business. That being said, enda devotes 15% of its portfolio to start-up enterprises.

A typical client is 40 years old, 78% are married and 11% unmarried, 37% are illiterate and 37% have at best attended primary school (without necessarily having obtained the slightest diploma).

Crenda clients must belong to the areas where the programme operates, either by living there or having their enterprise located there. Loan officers must evaluate the prospective client's capacity to repay the loan (as well as her/his reputation) and must ensure regular follow-up of their clients.

Crenda clients operate in the following sectors:

Table 2 summarises the solutions proposed to overcome the weaknesses detected.

**TABLE 2: MEANS TO OVERCOME THE WEAKNESSES**

<b>Weakness</b>	<b>Solution proposed</b>
<u>1. CRENDA</u>	
Communications within teams	
* Work-related communications	Include members of the administration in the loan committees. Improve the equipment in the branch offices
* Communications between zones	Organise exchanges between branches.
* Inter-personal communications	Organise meetings/discussions outside of enda. Organise promotion campaigns by team Organise joint leisure activities. Monthly lunch for everyone at the central office Sport Set up an Organising Committee for staff leisure activities.
* Communications between central office and field	Clarify tasks through clear job descriptions Announce nominations/promotions Administrative procedures manual Produce appropriate forms to request certificates, leave and so on. Place a Suggestions Box in each branch
ENDA/clients communications	Use a uniform format for announcements
Flow of information	Improve the announcement board system, place one in each branch office and encourage staff to consult them regularly. Organise weekly information exchange meetings in each branch office. Exchange staff between branches/zones once a week/month Monthly training/motivation meetings for the whole team Nominate a person to dispatch information as required Ensure timely circulation of information to each zone
Inadequate training	Training needs: * Market analysis * Financial analysis of the micro-enterprise * Working as a team * Initiation to management * Micro-finance ratios * Sociology/approaches to development * Notions of economics * Computer skills/internet * Data analysis and comprehension * Project writing and fund-raising * Conducting group meetings * Needs analysis * planning by objectives??? * Work scheduling * Management of stress

Commerce (67% of the total): sale of fruits and vegetables (10%), grocery stores (12%), new clothing (26%), second-hand clothing (8%), toiletry (3%), miscellaneous (41%).

Production crafts (25%): seamstresses (55%), fruit juice, bread-baking (3%) (food processing), carpentry (5%), weaving (11%), embroidery (7%).

Services (7%): hairdressing (41%), photography, childcare centres (12%).

Animal rearing (1%): chickens, rabbits, sheep.

These percentages are likely to remain roughly the same over the next three years.

However, clients producing various goods could need to increase their working capital, this requiring larger loans that could in future account for 50% of the portfolio at the end of the period.

## 5. Analysis of the Environment

### a. Socio-economic Conditions

**Table 2: Tunisia - Socio-economic Indicators**

Item	Unit	per cent
<b>Demographic Data</b>		
Total Population (INS 2001)	9 673 600	
Population Growth Rate (INS 2001)		1.14%
Growth Rate of Poor Suburbs	576 017	6.1 %
Number of households (INS 2001)	2 055 200	
Average per Household (INS 2001)	4.7	-
Average per Household Poor Suburbs	5 – 6	-
Urban Population (INS, 2001)	6 133 100	63.4%
5 to 14 year Age Group (INS, 2001)	1 992 761	20.6%
15 to 59 year Age Group ( INS 2001)	5 997 632	62%
Illiteracy (pop. > 10 years) : INS 2001		24.7% of which: men 15.4% women 33.9%
AFDB (African Development Bank)		35%
<b>Economic Data</b>		
GDP per head (2001, INS)	2 100 Euros	
Growth Rate of GDP at constant prices (1990) (from 2000 – 2001) (BCT, 2001)		4.9% par an
Growth Rate of GDP per head (BCT, 2001)		6.2% par an
Inflation (Ministry of Eco. Dev. 2000 )		2.9%
Active Population ( >15 ans) (INS, 2001)	3 292 700	47.9%
of which:		
Men (INS, 2001)		71.9%
Women (INS, 2001)		24.0%
Unemployment <sup>1</sup>	447 100	INS, 2001 : 15.0% WB, 2000 : 17.3%
Of which:		
Men (INS, 2001)		15.6%
Women (INS, 2001)		16.3%
Poverty		4.2%
ILO		22 %
UNDP		23.3%
<b>Data of the financial market</b>		
Interest paid on savings (BCT, 2001)		4 %
Bank rate		11-12%
<b>Legal Environment</b>		
% of licensed micro-enterprises		30%
Law on micro-credit (July 1999)		Loan ceiling: € 1 100 Interest/year: 5% Commissions forbidden

<sup>1</sup> Covers the 18 - 59 age group. Anyone fulfilling the following criteria is considered as out of work: has not worked during the previous week, “available” for work, is seeking work.



## **b. The Competition**

### The BTS

The Tunisian Solidarity Bank (BTS), set up in 1997, offers two products.

It provides loans to young people having a University degree or a professional qualification to enable them to set up a business. The conditions of these loans (from 2 200 to 36 500 Euros), are very soft. The beneficiary must put up 10 per cent of the cost of the investment.

The BTS also provides micro-credit to micro-entrepreneurs through the intermediary of either existing development associations or associations specially set up to this end. The conditions are as follows:

- loan period from 6 to 36 months
- declining interest rate of 5% annually
- ceiling for repayments of 36.5 Euros per month
- 90% guarantee for principal by the National Guarantee Fund
- support provided to the associations in the form of a one-off subsidy of 15 000 TD (11000 Euros) for setting up their operations, a 20 TD (15 Euros) subsidy for each client file accepted up to a limit of 500 per year, and staff (young graduates under special employment conditions).

Each association must obtain a licence from the Ministry of finance. The association signs an agreement with the BTS and makes requests for annual allocations of funds to on-loan. These funds are released by instalments of 25% with the following instalments being released only on condition of a recovery rate of at least 80%. The association has to repay amounts recovered every month to the BTS.

### Micro-credit associations

As of October 2002, there were some 65 micro-credit associations throughout the Republic granting micro-credit under the conditions of the March 1999 law. The ceiling for micro-credit is 1 100 Euros. The associations had reportedly made loans to 34 000 beneficiaries for a value of 17.5 million Euros. Twenty per cent of such loans may be granted for the purchase of consumer goods.

However, some associations, and especially those that have been involved in development activities for some time, are beginning to understand that under the conditions of the law sustainability will be unachievable. When other providers are allowed to apply *best practices*, competition for enda could increase strongly.

A few associations (FTSS, AFAK, UTSS) have begun working in areas where crenda is established. The conditions they offer are highly competitive from the clients' standpoint, including 5% declining interest, higher loan amounts, grace period, long repayment periods. It would be useful to prepare a comparative table of services and conditions offered by competing organisations and try to obtain the names of their clients in order to black list them as potentially bad elements since they have not acquired the discipline demanded by crenda. A study of the reasons crenda clients, even long-standing ones, go over to the competition would also be useful. It is also necessary to educate clients (and use clients to do this) about the relative interest of the products and services enda offers compared to other actors.

### Supplier credit

Suppliers sell on credit to micro-enterprises. This credit is fairly expensive and ties in the micro-entrepreneur to that supplier since he/she is always indebted to the same one.

### Usurers (*mourabin*)

There appears to be an « unofficial » usury system but it is poorly documented. The cost of loans is reportedly 20% per month or more, but the advantage is the speed and ease of access.

### «Muddling through»

Often, people obtain capital by, for instance, purchasing goods such as a refrigerator or a TV set on credit and reselling it immediately in its packaging, at a loss. In this way, the purchaser can obtain the amount required for whatever purpose<sup>2</sup>.

In other words, apart from official credit sources and in particular BTS that is not widely available and very difficult to obtain by micro-entrepreneurs and that has serious constraints (available only for purchase of new equipment not provided for retail activities ...), sources of credit available to micro-entrepreneurs are expensive and not dependable.

For the time being, competition is therefore largely hypothetical and enda has the advantage of being well established and having learned and understood the market well before the competition becomes a real.

However, the competitors, while not currently very active, could not only recuperate enda's clients but also to spoil the market by undermining the educational process enda has worked so hard on. Similarly, very low-interest credit systems without severe repayment conditions maintains the «hand-out» mentality (the target population is used to State charity... ). The regular repayment culture instilled by enda in its areas of operation could thus be placed in jeopardy.

Moreover, there is no collaboration between NGOs aimed at avoiding clients becoming indebted to several credit sources to the point of being unable to repay.

As for enda, it lacks products adapted to specific activities (« suitcase trade », animal rearing ...). Investment loans are still limited and the early experience has not been encouraging. Consumer loans are not provided. Some clients apparently abandon the programme due to the rigidity of the procedures, especially the policy on late payments.

Unless sufficient funds can be raised to satisfy the growing demand, and especially established clients, while increasing market share, a balance must be found between the necessity of rigorous methodology and the concessions needed to face the competition. In any event, the vision and mission of the programme must always be born in mind.

### **c. Partner institutions**

Enda maintains cordial but somewhat distant relations with a few established NGOs, such as APEL, FTSS, FTDC.

It participates in some training sessions with micro-credit associations as well as the NGOs mentioned above, chiefly those organised by the Mechanism for Support to Female Micro-entrepreneurs, within the Ministry of Women and Family Affairs.

Occasions for exchanging experience and training with micro-finance institutions in other countries will increase thanks to the newly-established Micro-Finance Network in the Arab World.

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<sup>2</sup> A back-of-envelope estimate shows that such arrangements are extremely expensive and can be more than 80% yearly: refrigerator purchased at TD900 and repaid at 26% annual interest, or approx. DT200, making the cost of the TD600 in hand some TD500 – TD300 loss on resale plus TD200 interest. (TD 1 = 0.73 Euro.)

Relationships with the Banque de l'Habitat are satisfactory, something that cannot be said about the other two banks Banque de Tunisie and Union Internationale de Banques that enda uses, since the latter have shown no comprehension for our programme in favour of underprivileged people.

There is some collaboration with various ministries, and especially with local representatives of these ministries. With local authorities, and more especially the sub-prefects (*délégués*), are very positive as the latter appreciate the programme's contribution to their areas. Finally, relationships with current donors, in particular AECI, Intermon and ICCO, are fully satisfactory.

Enda Third-World has never sought to intervene in the way we run our activities but it is not easy to predict the way things might go when the new Executive Secretary is nominated and the old guard at Dakar moves on. Formally, enda inter-arabe remains a simple representation of ENDA Third-World in Tunisia. Its assets officially belong to the headquarters. For this reason, our legal status must be clarified in order for enda inter-arabe to become a fully autonomous international NGO while remaining a member of the enda Third-World family. The President of enda third-world, Cheikh Hamidou Kane, has declared his willingness to study and proposal among these lines.

#### **d. Regulatory factors**

The Tunisian State encourages self-employment and micro-enterprise, which stimulates the informal sector. But some laws and regulations (licence, registration with the Social Security system...) and their finicky application by some officials at local level constitute a threat to micro-entrepreneurs. Enda will endeavour to obtain changes in this situation in favour of the micro-entrepreneurs.

As for the Tunisian law on micro-credit adopted in March 1999, it is not inspired by best practices (low ceiling on loans, low and declining interest rate, outlawing of fees and commissions, very bureaucratic management system etc). This law applies to Tunisian associations registered under the 1959 law on national NGOs. Enda being registered as an international NGO has so far been exonerated from the 1999 law and has a green light to manage its programme according to best practice methodologies.

#### **e. Other external factors**

Thanks to its privileged status and its performance, Enda is naturally the subject of jealousy and even slander. Building alliances with other local actors (in particular associations working on micro-credit) in order to obtain an improved environment seems problematic for the time being but such alliances will need to be built, even if they are timid in the first place, around the growing comprehension of the non-viability of the methodologies they are currently compelled to follow.

### **6. Evaluation of the Institution**

#### **a. Lending Methodology**

Details of crenda financial products and methodologies are provided in the appendix 1.

#### **b. Governance**

Enda/Crenda currently has no local governance structure of its own, depending formally on the Board of enda Third-World based at Dakar that is not really in a position to provide the necessary support due to distance and a lack of specific interest. So long as activities were small-scale, that was not important.

CRENDA is therefore about to set up a Board of Advisors composed of 7 to 10 persons, mainly with a banking/financial background and others, both Tunisian and foreign, able to advise and support the co-directors as the programme evolves, and to act as its "defenders" vis-à-vis the external environment.

familiar with the programme in order to make necessary changes and corrections in the office instead of, as at present, always having to resort to the technician (based in Palestine), via Internet.

## **7. Implementation of the Strategy**

### **a. Strategic issues**

- reach operational and financial self-sufficiency and turn a profit
- increase outreach and increase enda's share in the Tunisian market
- open branches outside the Tunis area in order to reach larger numbers of disadvantaged micro-entrepreneurs, especially women
- improve efficiency by reducing costs
- consolidate and strengthen the institution's outreach capacity
- improve current products and propose new products and services such as micro-insurance
- increase loan capital by accessing bank loans
- promote a conducive environment for the development of micro-finance in Tunisia by:
  - i. highlighting the performance and achievements of the enda model
  - ii. setting up a Committee of Advisers to support and promote this strategy
  - iii. participating in exchanges between institutions in the region
  - iv. providing training in micro-credit at the request of other NGOs.

### **c. Staff**

The field and executive staff is largely devoted to their tasks. They receive regular on-the-job training in best practices and team work, as well as good management and organisation of work in general.

Certain essential posts have still not been filled (financial and administrative director, communications director, internal auditor ...) and their recruitment has become urgent. Salaries are fairly competitive and there is little staff movement (see [appendix table 4](#)). However, most loan officers under-perform (average of 230 clients per loan officers instead of 350 – 400 in some programmes). Similarly, some staff members are content to earn their salaries and do not make the necessary extra effort. The salary and incentive system will be revised and a greater role will accrue to performance-related incentives, with the greatest possible transparency and objectivity. Sanctions will also be clearer and applied more systematically.

### **d. Administration**

The administration is fairly efficient and effective, but can also be improved. The recruitment of a financial director to head the administration et finance department and of a chief of personnel is an urgent task.

With regard to the MIS, the quality of data entry must be improved and collaboration between the MIS staff, the financial service and operations be strengthened.

The financial manual as well as the administrative and staff manuals should be ready at the latest by the first quarter of 2003.

As for research and development, while awaiting for funding to be available, it is possible to develop relations with consultants from academia and post-graduate and doctoral students.

### **e. Funding**

The means currently available, especially for loan capital, are very insufficient to face current demand and projected expansion. Access to commercial sources (banks) and semi-commercial sources (heavily subsidised loans from Spanish cooperation or Deutschebank Fund for example) is presently blocked (see above). It is therefore essential to find other sources of funds. The main hope is the banks and priority will be given to obtaining a change in the legislation (or an exception) that will allow enda to gain access to bank loans.

Three million Euros are necessary if the planned expansion is to be achieved, as well as 330 000 Euros for strengthening institutional capacities (22 000 Euros for an impact study, 95 000 Euros for training and 220 000 Euros to purchase a plot and build a headquarters building.

### **f. Financial management**

Crenda is approaching operational self-sufficiency but for various reasons it only evolved slowly during 2002 and this may give the impression of inefficiency. The end-2003 deadline should be met, provided costs are kept in check. The calculation of self-sufficiency should, however, be reviewed in the light of planned expenditures, taking account of the probable evolution of salaries and related expenditures (recruitment of senior staff that will raise costs, sacking of a few under-performing staff, improvement of overall performance).

Financial performance is satisfactory. There are still some weaknesses in financial analysis abilities and the calculation and analysis of ratios, as well as in the use of the MIS which is still not entirely up to scratch. The technician who conceived the MIS, working with FATEN, must be convinced to allow certain adjustments and corrections to be made in-house. To that end, a Tunisian consultant is getting

**b. Three-year action plan**

**Table 3 : Planned achievements 2003 – 2005**

	2002	2003	2004	2005
Active clients	7 500	13 000	18 000	25 000
Portfolio (Euros)	1 674 998	2 846 715	4 072 993	5 839 416
Number of loans granted	13 119	18 442	27 020	38 728
Value of loans granted	3 763 164	5 653 741	8 480 612	12 720 917
Total number of borrowers	4 183	7 875	8 900	12 400
% of women	80%	80%	80%	80%
<b>Quality of portfolio</b>				
Average loan size	288	307	314	328
Average portfolio per client	223	219	226	234
Portfolio at risk	0.55			
<b>Self-sufficiency ratios</b>				
Loan income	478 938	700 866	1 005 899	1 520 073
Loan loss provision (3% of portfolio)	21 419	35 152	36 788	52 993
Operating costs	487 793	658 520	856 076	1 198 507
Operational self-sufficiency	94%	101%	113%	121%
Cost of capital	117 250	199 270	244 380	291 970
Financial self-sufficiency	76%	78%	88%	98%
<b>Efficiency Ratios</b>				
Cost per unit loaned (%)	14%	12%	11%	10%
Cost per loan granted (Euros)	38.82	37.61	33.04	32.31
Number of branches	7	9	11	12
Number of loan officers	28	40	55	70
Active clients per loan officer	268	325	327	357
Number of loans granted per loan officer	469	461	491	553
Portfolio per loan officer (Euros)	59 821	71 168	74 055	83 420

**c. Products and Services**

**Objective:** offer products and services adapted to client needs in order to keep current clients in the programme and attract new borrowers (see [Appendix table 5](#)).

**Activities:**

- continue group-guaranteed loans and further refine the methodology (reduce the minimum to three members, allow groups with a majority of men, adapt each product to the context of each zone and apply more flexibly)
- continue individual loans and further refine the methodology
- continue opportunity and express loans (*força* and *solfa*) and further refine the methodology
- refine the investment loan and adapt it to the constraints of established clients

- introduce a period of grace for certain activities
- introduce micro-insurance
- improve the performance of business development services and develop new demand-driven services
- train staff regularly, especially with regard to individual and investment loans
- organise regular surveys and polls of clients aimed at constantly adapting and improving the products proposed.

#### **d. The market**

**Objective:** increase market penetration in poor suburbs of the capital and penetrate new markets in other areas.

Reach 25 000 active clients by end-2005, including 80% of women, serviced by 12 branches.

**Activities:**

- pursue expansion in “old” areas (Ettadhamen, M’nihla, Omrane Supérieur, Douar Hicher branches) and endeavour to expand enda’s market share
- strengthen enda’s presence in new areas with a good potential for expansion (Hrairia, Sidi Hassine, Oued Ellil branches)
- revise the current geographical and administrative division of the areas and review the location of the branches (rent space at Sidi Hassine, M’nihla)
- undertake market assessments in areas where expansion is envisaged (governorat of Ben Arous, the medina of Tunis and surrounding area, and one governorat away from the capital)
- open a branch at Sijoumi/Mellassine during 2003
- open a branch in the southern suburbs of the capital (governorat of Ben Arous) during 2004
- open a branch in the medina and surrounding area during 2004
- open a branch away from the capital (governorat of Kairouan, Gafsa or Tozeur) during 2005
- draft a branch management manual
- produce promotional material (envisage use of the radio and TV if possible)
- strengthen incentives for the best clients and innovate in this field.

#### **e. Sustainability**

**Objective:** reach operational sustainability in 2003 and financial sustainability in 2005 while improving portfolio quality and quality of services.

**Activities:**

- raise income by increasing the number of loans granted
- reduce costs
- cover all financial costs by end-2005
- improve due-date repayments (95%)
- improve the client retention rate (85 - 90%)
- keep portfolio at risk below 2%
- minimise write-offs
- pursue a policy of collection of bad debts.

#### **f. Improving performance and efficiency of operations**

**Objective:** Improve the performance and efficiency of operations by reducing costs while maintaining the quality of services.

**Activities:**

- raise the number of active clients to 350 per loan officer
- raise the average portfolio per loan officer to 58 000 Euros
- reduce the cost per unit loaned to 10 per cent
- reduce the cost per loan to 26 Euros
- achieve a ratio of 30 – 35% for operational costs in 2005

- make a operating profit for use in financing non-financial services
- improve the quality of service by reducing the waiting period for first loans from 15 to 10 days and for renewals to 48 hours

#### **g. Institutional Development and Strengthening of Human and Technical Capacities**

**Objective:** strengthen the institution's human and technical capacities

**Activities:**

**Governance (Committee of Advisers):**

- set up a Committee of Advisers of enda inter-arabe (composed of Tunisian and Arab members of repute able to provide backing for the strategy and objectives of the institution and contribute to fund-raising)
- train the members of the Committee in micro-finance best practices, governance of an MFI and fund-raising

**Legal Status:**

- clearly define enda inter-arabe's legal status and propose a solution whereby it would obtain full autonomy while remaining within the enda third-world family and keep its status as an international NGO. The aim of this clarification would be to open access to enda inter-arabe, as a separate legal entity, to support from various international programmes such as those of Deutschebank and WWB.
- Obtain an exoneration from Tunisian regulations (or a change in the regulations) that currently exclude enda inter-arabe from access to bank loans or foreign guarantees for loans.

**Staff:**

- recruit and train a financial and administrative director
- nominate and train an internal auditor
- nominate and train a director of operations
- continue recruitment and training of supervisors and loan officers in line with projections for each area
- recruit and train a research officer
- recruit a driver
- review the salary structure, fringe benefits and premium system
- continue training loan officers especially in management of new products and improve the procedural manual.

**Administrative and Financial Management**

- continue to improve and up-date the MIS and introduce new products
- decentralise the MIS and FIS to the regions and train the relevant staff
- revise and improve the financial management system
- purchase new financial management software
- purchase personnel management software
- translate the MIS management manual into French
- draft a financial and administrative management manual
- draft a personnel management and career development manual
- draft an internal audit manual.

**Miscellaneous**

- refine and regularly up-date the enda inter-arabe website
- undertake research on the quality of services and products
- continue holding meetings of client committees aimed at ensuring full client involvement in the development of the programme
- produce an internal newssheet for the staff (and later for broader circulation)
- undertake (external consultant) an impact study and evaluation of the programme
- spread knowledge about the programme's achievements in the region and



further afield (Microbanking Bulletin, MIX market, CGAP, the Micro-finance Virtual Library, Planet Finance...)

- contribute to promoting micro-finance best practices in Tunisia and the region
- obtain a rating of the institution once the legal status has been clarified
- participate in exchanges, reflections and training activities in the framework of the Micro-Finance Network in the Arab Region.

**h. Funding and financial management**

**Table 4: Financial Requirements 2003-2005**

	Amount in Euros			
	2003	2004	2005	Cumulative
<b>1. Loan Capital Requirement</b>	699 546	1 058 897	1 151 646	<b>2 910 089</b>
<b>2. Available from current sources</b> ⊗	371 709	404 225	0	<b>775 934</b>
<b>3. Effective Loan Capital Requirement (1 - 2)</b>	<b>327 836</b>	<b>645 692</b>	<b>1 151 646</b>	<b>2 134 155</b>
<b>4. Institution Building and Development</b>	91 606	*160 584	0	<b>252 190</b>
<b>Total Requirement (3 + 4)</b>	<b>419 442</b>	<b>815 256</b>	<b>1 151 646</b>	<b>2 385 980</b>

⊗ ICCO/EU, Intermon/AECI

\* Construction of headquarters building

## Appendices

### Appendix 1

### CRENDA Group lending methodology

In the CRENDA programme, groups have typically five but with sometimes more, or fewer, members. Each member obtains an individual loan, usually of the same and in any case similar size, but the whole group is responsible for repaying all the loans. September 2002, 84 per cent of loans were group-based. The CRENDA group lending model is based on the following principles:

- Small, short-term loans.
- Regular monthly repayment of the full amount due by the group.
- Groups composed of a majority of women (no men-only or men-dominated groups).
- Gradual increase in loan size by steps over time conditional upon faultless repayment.
- Quick, simple decentralised application process.
- Risk management through group guarantees and possibility of repeat loans, thereby eliminating the need for collateral.
- Programme functions, including outreach and selection of group members, handled by the groups themselves, resulting in reduced costs per participant.
- *Participatory Management*: Group management and discipline are essential. Each group elects a committee, comprised of a president and a treasurer, to ensure that discipline and group management are established and maintained. The President is the key link between the clients and the programme, and the primary mediator in the event of group problems. The Treasurer is responsible for the group's accounts and repayments. Group members, with guidance from the credit agent, discuss and jointly agree on the by-laws that govern the group. Group meetings are run democratically; decisions are taken by consensus, and external parties have only an advisory role. This increases group solidarity and creates a sense of belonging, and fosters increased self-confidence and leadership skills while minimising costs. Unfortunately, many groups still lack cohesion and break up after one or two loan cycles. This can be attributed partly to the charity mindset still prevalent among some people and also to the difficulty many micro-entrepreneurs have in finding four neighbours they can really trust (many clients say they can easily find two, more rarely more), meaning they take one or two group members simply to make up the minimum of five.
- Loans are provided in stepped amounts. The entry-level loan is DT150-200, equivalent to the official monthly minimum wage. The maximum available loan size for a given borrower can increase with each cycle conditional on fulfilment of all stipulations and notably timely repayment. Some clients may not need to increase their loan amount at each new cycle but instead remain at the level that is appropriate for their business. The maximum loan size is currently set at DT 5 000.

Some of the oldest clients have reached their 13<sup>th</sup> loan and borrowed a total of DT20 000. It had originally been intended to limit the number of loans to 8, by which time the client should be able to access bank funds. In the event, very few clients indeed have been able to graduate to the bank, which is why the loan cycle is now open-ended and the maximum amount has been increased to DT5 000. Besides, longer-standing clients with high loans are low-risk while providing substantial income to the programme.

Loans are first provided through solidarity groups and individual loans may be obtained after three problem-free loan cycles, provided the client has an impeccable repayment record. Some groups prefer to remain together after graduating to individual status.

Loan conditions are set out in appendix table E.

**Appendix Table 2: Potential new areas - estimates of total population**

<i>Délégations</i>	Population 1994	House-holds	Population 2000	Population 2001	Population 2002	Population 2003	Population 2004	Population 2005
			Sijoumi	37 935	787	49 316	51 781	54 370
Ben Arous	33 554	6 711	43 620	45 801	48 091	50 496	53 021	55 672
Medina de Tunis	32 563	6 513	42 332	44 448	46 671	49 004	51 455	54 027
Sidi El Béchir	34 353	6 871	44 659	46 892	49 236	51 698	54 283	56 997
Kabbaria	66 415	13 283	86 340	90 656	95 189	99 949	104 946	110 194
Chébika (Kairouan)	33 991	6 798	44 188	46 398	48 718	51 153	53 711	56 397

Source: extrapolations from the 1994 census.

**Appendix Table 3: Potential new areas - estimate of micro-entrepreneurs and required capital**

<i>Délégation</i>	Population 2005	Number of house-holds 2005	Households living under the poverty line		Number of M-E	Clients to be reached by crenda in 2005	Estimate of capital (DT)
			%	Number			
Sijoumi	97 913	19 583	30%	5 875	3 819	2 100	840 000
Ben Arous	72 507	14 501	30%	4 350	2 828	1 900	760 000
Medina de Tunis	76 917	15 383	30%	4 615	3 000	1 500	600 000
Sidi El Béchir	74 233	14 847	30%	4 454	2 895	1 500	600 000
Kabbaria	125 164	25 033	30%	7 510	4 881	1 500	600 000
Chébika (Kairouan)	73 451	14 690	30%	4 407	2 865	500	200 000
<b>TOTAL</b>	<b>520 185</b>	<b>104 037</b>	<b>30%</b>	<b>31 211</b>	<b>20 287</b>	<b>9 000</b>	<b>3 600 000</b>

**Appendix Table 4: Staff movements 2002**

<b>Department</b>	<b>Position</b>	<b>2001</b>	<b>2002</b>	<b>In</b>	<b>Out</b>
<b>Management</b>	Co-director	2	2	-	-
<b>Finance</b>	Chief accountant	1	1	-	-
	Accountant	4	4		-
<b>Administration</b>	Internal controller	0	1	1	
	Personnel officer	0	1	1	
<b>Operations</b>	Coordinator of operations	1	1	-	-
	Branch Supervisor/chief	5	3	-	(2)
	Loan officers	15	28	(13)	1
	Trainee loan officer	13		-	-
	Receptionist/cashier	3	3	(1)	(1)
<b>Research and Development</b>	Research officer	1	0	-	1
<b>Business Development Services</b>	Trainer	1	1	-	-
	BDS officer	1	1	-	-
<b>MIS</b>	MIS Administrator	1	1	-	-
	Data entry operator	2	2	-	-
<b>Others</b>	Communications specialist	1	0	-	1
	Secretary/Telephonist	1	1	-	-
	Messenger	1	1	-	-
	Cleaner	3	3	-	-
	Guard	2	2	-	-
		<b>57</b>	<b>56</b>	<b>2</b>	<b>3</b>
Net Change				<b>-1</b>	

\* () = promotions or transfer of staff between positions.

**Appendix Table 7: Number of Potential Clients (Summary)\***

	<b>Dec. 2002</b>	<b>Dec. 2003</b>	<b>Dec. 2004</b>	<b>Dec. 2005</b>
<b>1. Population</b>	696 300	846 359	1 107 487	1 281 908
<b>2. Number of households**</b>	139 260	169 272	221 497	256 382
<b>3. Number of households below the poverty line</b>	41 778	50 782	66 449	76 914
<b>4. Number of micro-entrepreneurs</b>	27 156	33 008	43 192	49 994
<b>4. Number of women micro-entrepreneurs</b>	16 293	19 805	25 915	29 997
<b>6. Active Clients</b>	<b>7 500</b>	<b>13 000</b>	<b>18 000</b>	<b>25 000</b>
<b>7. Market de penetration</b>	28%	39%	42%	50%

\* See details in appendix tables 1 and 2

\*\* 5 persons per household

**Appendix Table 8: CRENDA Active Clients by Type of Business**

Sector	Activity	(% of sector)	(% of all activities)
Retailing	New clothing	26%	17%
	Groceries	12%	8%
	Fruits and vegetables	10%	7%
	« Suitcase trade »	8%	5%
	Second-hand clothing	8%	5%
	Hardware goods	7%	5%
	Nuts and snacks	4%	3%
	Crockery	4%	3%
	Fancy goods	4%	2%
	Cosmetics	3%	2%
	Poultry and poultry products	3%	2%
	Spices	2%	2%
	Other	9%	6%
<b>TOTAL</b>		<b>100%</b>	<b>67%</b>
Production/Crafts	Seamstresses	55%	14%
	Home-made bread baking	11%	3%
	Weaving	11%	3%
	Embroidery/Crochet	7%	1%
	Joinery	5%	1%
	Pasta products	3%	1%
	Other	8%	2%
<b>TOTAL</b>		<b>100%</b>	<b>25%</b>
Services	Hairdressing saloons	41%	3%
	Educational services	12%	1%
	Restaurants	9%	1%
	Other	38%	2%
<b>TOTAL</b>		<b>100%</b>	<b>7%</b>
Animal Rearing			<b>1%</b>
<b>TOTAL</b>			<b>100%</b>

**Appendix Table 5 : Estimate of the Population in Areas Currently Covered by the Programme**

<i>Délégations</i>	Population 1994	Households	Estimation based on the 1994 Census*						
			Active population 2000	Population 2000	Population 2001	Population 2002	Population 2003	Population 2004	Population 2005
Ettadhamen	67 837	14 064	24 978	92 665	98 318	104 315	110 678	117 430	124 593
Mnihla	21 171	5 666	10 111	28 920	30 684	32 556	34 542	36 649	38 885
Douar Hicher	60 188	12 452	21 540	83 661	88 764	94 179	99 924	106 019	112 486
Oued Ellil	36 308	6 940	13 391	49 597	52 622	55 832	59 238	62 852	66 686
Omrane Supérieur	70 750	14 150	22 805	96 645	102 540	108 795	115 432	122 473	129 944
Ettahrir	27 500	5 500	8 706	37 565	39 856	42 288	44 867	47 604	50 508
Ezzouhour	42 356	8 658	15 622	57 858	61 387	65 132	69 105	73 320	77 793
Hrairia	90 000	18 000	33 194	122 940	130 439	138 396	146 838	155 795	165 298
Sidi Hassine	45 930	9 186	14 605	48 686	51 656	54 807	58 150	61 697	65 461
<b>Total</b>	<b>462 040</b>	<b>94 616</b>	<b>164 952</b>	<b>618 537</b>	<b>656 266</b>	<b>696 300</b>	<b>738 774</b>	<b>783 839</b>	<b>831 653</b>

Average annual growth rate of the population of these *délégations*: 6.1%

Source: Institut National de Statistiques, Census 1994, Tunisia.

**Appendix Table 6: Potential Micro-entrepreneurs in Areas Currently Covered and Estimate of Required Capital**

<i>Délégation</i>	Population 2005	Households 2005			Number of M-E	Clients to be reached by crenda in 2005	Estimate of capital required (Euros)
			%	Number			
Ettadhamen	124 593	23 690	30%	7 107	4 620	2 600	759 124
Mnihla	38 885	11 200	30%	3 360	2 184	950	277 372
<b>Ariana Gouvernorat</b>	<b>163 478</b>	<b>34 890</b>		<b>10 467</b>	<b>6 804</b>	<b>3 550</b>	<b>1 036 496</b>
Douar Hicher	112 486	21 060	30%	6 318	4 107	2 380	694 890
Oued Ellil	66 686	14 200	30%	4 260	2 769	1 210	353 285
<b>Manouba Gouvernorat</b>	<b>179 172</b>	<b>35 260</b>		<b>10 578</b>	<b>6 876</b>	<b>3 590</b>	<b>1 048 175</b>
Omrane Supérieur	129 944	19 500	25%	4 875	3 169	1 980	578 102
Ettahrir	50 508	7 200	30%	2 160	1 404	730	213 139
Ezzouhour	77 793	14 790	30%	4 437	2 884	1 220	356 204
Hrairia	165 298	28 200	30%	8 460	5 499	2 970	867 153
Sidi Hassine	65 461	17 037	30%	5 111	3 322	1 960	572 263
<b>Tunis Gouvernorat</b>	<b>489 004</b>	<b>86 727</b>		<b>25 043</b>	<b>16 278</b>	<b>8 860</b>	<b>2 586 869</b>
<b>Total</b>	<b>831 653</b>	<b>156 877</b>	<b>29%</b>	<b>46 088</b>	<b>29 957</b>	<b>16 000</b>	<b>4 671 532</b>

**Appendix Table 9 :**

**Evolution of Branches**  
**in terms of sustainability**  
**January 1995 - October 2002**

<b>Branch</b>	<b>Founded</b>	<b>Nb of Active Clients</b>	<b>Outstanding Portfolio (TD)</b>	<b>Operational</b>	<b>Financial</b>
M'nihla	January 1995	707	241 127	105%	81%
Ettadhamen	April 1995	1164	421 251	110%	83%
Omrane Sup.	February 1996	1159	368 416	116%	86%
Douar Hicher	April 1997	1066	378 196	108%	81%
Oued Ellil	November 2001*	665	149 561	58%	58%
Hrairia/Zouhour	Septembre 2000	1386	326 825	77%	63%
Sidi Hassine	January 2002**	869	176 441	62%	53%
<b>Total</b>		<b>7016</b>	<b>2 062 017</b>	<b>95%</b>	<b>76%</b>

\* Annex of the Douar Hicher Branch prior to that date

\*\* Annex of the Hrairia Branch prior to that date



**Appendix Table 10 :**

**B. Criteria for Participation in CRENDA**

The criteria for initial participation in the loan programme are:

- Over 18 (women) or 20 (men)
- Have a micro-enterprise or a well-thought-through project and capacity to run it
- Live in, or have micro-enterprise in, CRENDA operational areas
- Poor
- No access to formal banking sector
- No first-degree relationship with other members in the group
- Willing to guarantee other members of the group (minimum group size is 3; average size 5)
- Agrees to rules and regulations regarding participation in the programme and,
- Only one active loan per participant, except for “parallel” loans that are available after the client’s dependability has been demonstrated.

Continued participation (follow-up loans) is possible on the following conditions:

- Timely repayment of loan
- Minimum 70% attendance at group meetings and
- Adherence to programme rules and regulations.

## Appendix 11

## CRENDA Financial Products and Conditions

	1	2	3	4	5
<i>Type of loan</i>	<b>Group loan (Majmouâa)</b>	<b>Individual loan (Fardi)</b>	<b>Express loan (Solfa)</b>	<b>Seasonal loan (Forsa)</b>	<b>Investment loan (Istithmar)</b>
<b>Definition</b>	- Group loan (lower risk) - Start-up or consolidation - Low level guarantee	- Individual loan (higher risk) - Consolidation - Solid guarantee	- Parallel loan - Granted for a particular occasion and for 2 months maximum	- Parallel loan - Granted for a particular occasion (4 to 6 months)	- Parallel loan - Granted for an investment in the business
<b>Type of client</b>	- Poor - Very small business - No guarantee	- Client with good rating - Viable micro-enterprise	- Best clients - Reasonable daily or monthly cashflow (e.g. fruit and vegetables, grocery store...)	- Best clients - Good rating	- Client with good rating - Investment needed for the development of the micro-enterprise
<b>Loan duration</b>	6 to 8 months	6, 8, 10 or 12 months	4, 6 or 8 weeks	4 - 6 months	18 or 24 months
<b>Amount of loan</b>	150 - 1000 dinars in gradual steps	200 - 5000 dinars in gradual steps	200, 300 and 500 dinars	1000, 2500, 3000 dinars	3000, 3500, 4000, 4500, 5000 dinars
<b>Garantie</b>	- Self-selected group members - 3 - 10 persons - Mutual guarantee - Good reputation - Same neighbourhood - Promissory note and contract	- Good reputation - Contractual guarantee provided by another CRENDA client - Co-signature with husband (wife) - Capital already invested in the business - Promissory note and contract - Study of cash-flow	- Good credit rating (minimum 3 loans) - Promissory note and individual contract - If client in group, contract signed by at least two members of the group - Study of likely return on investment through cash-flow	- Good credit rating (minimum 3 loans) - Promissory note and individual contract - If client in group, contract signed by at least two members of the group - Study of likely return on investment through cash-flow	- Client with good rating (minimum 5 loans) - Any acceptable guarantee, depending on client - Moral commitment - Promissory note and contract - inventory of goods owned by the client
<b>Conditions</b>	- Majority of women in the group - Minimum age: 20 ans for men and 18 for women - Have a micro-enterprise or the capacity to establish one - Belong to CRENDA's target population	- Business operating for at least one year - Good borrowing and repayment capacity - Solid reputation - Micro-enterprise having a low debt ratio	- Good credit history - Good knowledge of the market and functioning of the sector - Owner of her/his home or shop - At least two years' experience in the ME	- Good credit history - Good knowledge of the market and functioning of the sector - Owner of her/his home or shop - At least two years' experience in the ME	- Best clients - Proven need to invest - Knows how to use the equipment - Takes good care of equipment - Has a place to keep equipment safely
<b>Loan available</b>	Year-round	Year-round	Aïd el Sghir, Aïd el Kbir, Ramadan, El Mouled,	Aïd el Sghir, Aïd el Kbir, Ramadan, El Mouled	Year-round

enda inter-arabe  
Appendix Table 12 :

Staff retreat, Hammamet, April 2001

**SWOT exercise regarding the micro-credit programme**

<b>Strengths S</b>	<b>Weaknesses W</b>	<b>OPPORTUNITIES O</b>	<b>Threats T</b>
<b>1. CRENDA Programme</b>			
Speed of service	Communications: a) within teams b) administration/field c) CRENDA/ENDA d) circulation of information e) promotion/marketing of CRENDA	Considerable potential market	Competition from the BTS/new micro-credit associations
Proximity of service	ENDA/NGO spirit among the staff	Existence of new market opportunities	Constraining regulatory framework
Approach and methodology	Poor team spirit	Availability of funding sources	Slow legal system (claims/debt collection)
Solidarity Groups	Senior staff positions still to be filled	Political environment conducive to "micro-credit"	Undependable funding sources
Diversification and integration of services	Quality of processing of paperwork	Only experience in Tunisia based on best practices	Indiscipline among some clients
Constant adaptation of the approach to the market	Lack of a training strategy	"Wrong signals" coming from the competition	Risk of hand-out mindsets
Business Development Services/client support	Lack of a career structure	Head start over the competition	
Experience	Material working conditions in the branch offices	Exchange and training programmes (FATEN, AMANA...)	
Devotion/motivation of the staff	Decisions not systematically applied	Dynamic and smart target population	
Staff originating in the neighbourhood	Difficulty of reconciling quantity and quality of work	Job creation/consolidation by the programme	
Administration conscious of the importance of training	Weak BDS and poor monitoring and evaluation of these services	Substantial female population	
On-the-job learning	Inadequate loan capital	Low level of bankruptcy among the micro-enterprises	
Good relationship between CRENDA and the population	Lack of clear written procedures		
Clients associated with decision-making			

<b>2. Support Services (BDS)</b>			
S	W	O	T
Experience of organising training and other services	Lack of a specialised department/staff	Clear need for support services among the clients	Client attitudes (low level of interest in training)
Motivated staff	Inadequate training of field staff	Collaboration with State institutions (MAFF, ATE, ONA...)	Time constraints for clients, especially women
Space and equipment already available	Lack of clear and precise objectives	Good climate in poor neighbourhoods for such services	Client dependency on their families
Field staff available	Lack of time for field staff to collaborate	ENDA the only supplier in areas where it operates	Clients paid by the State for participation in training courses
Success and reputation of the community centre, Espace 21	Poor coordination CRENDA/Espace 21	Donors well disposed towards BDS	Inadequate number of trainers specialised in training illiterate adults
Computerised data collection	Poor level of monitoring and evaluation of support services provided so far		
Good contacts with clients	Administrative weaknesses		
Good reputation of ENDA within the donor community			

<b>2. Support Services</b>	
Lack of clear and precise objectives	Needs analysis: a) survey b) study of clients' constraints with regard to training c) diagnosis of needs/demand d) use of the resources of the Documentation Centre e) visits to other programmes Definition of clear and precise objectives Planning and implementation of a strategy for the BDS programme.
Poor coordination between CRENDA and Espace 21	Make available to all the reports on training activities and other support services. Institute a system of liaison fiches???. Hold follow-up and programming meetings.
Inadequate training of field staff	Train field staff in the detection of needs and in the communication of information to clients
Lack of time for field staff	Reduce the administrative duties of field staff
Lack of a specialised department/of specialised staff	Seek funding. Create a specialised department. Confirm/recruit the necessary staff. Purchase the required equipment.
Poor monitoring and evaluation of the services provided	Organise monitoring and evaluation meetings including field staff and staff of the support services department. Organise visits to the micro-entrepreneurs designated by the support service. Set up uniform monitoring and evaluation indicators.
Administrative weaknesses	Recruit a director for the BDS department. Ensure good planning and programming of activities.

Further to the formal banking system open to the general (or specialised) public, Tunisia has initiated two institutions which, potentially at least, constitute an access for the poor to micro-credit.

The National Solidarity Fund (familiarily known as the “26/26” by the number of the Post Office gyro account through which contributions can be made to the Fund’s resources), set up in August 1992, undertakes development actions in the poorer and usually more outlying areas of the country, including building rural access roads, digging wells, electrifying villages, and building houses to replace rudimentary rural dwellings. The Fund, which has mainly operated in rural contexts, provides a degree of “micro-credit”, that is, small one-off loans on very favourable terms, the repayment rate of which is reportedly very poor.

The National Solidarity Bank (BTS), was set up in December 1997. This bank, the capital for which came partly from public sources and partly from “voluntary” private subscriptions, provides two types of credit. “Micro-credit” for young people having either a University degree or a formal vocational training diploma wishing to establish a micro-enterprise. These candidates, who do not necessarily, or indeed usually, correspond to the category of the poor, must satisfy various conditions and obtain their loan on fairly constraining conditions. For instance, it can only be used to purchase equipment, which is paid for directly by the bank on the basis of a pro forma invoice. Furthermore, the equipment must be new, which precludes the purchase of perfectly appropriate and much less expensive second-hand material, thus burdening the beneficiary with a much higher level of debt than necessary. The other arm of the BTS is its micro-credit arm, under the 1999 law. The bank provides loan capital to associations which on-loan it to their clients. However, the associations are requested to repay the loans monthly, in line with client repayments, making for considerable bureaucracy and inefficiency. The micro-credit provided through the associations is, again, one-off and not a line of credit. See also the developments below.

Finally, mention must be made of the National Employment Fund, set up in December 1999. This Fund aims to promote self-employment of young entrepreneurs by providing loans which can reach DT50 000 (\$35 000). The Fund provides 70 per cent of the capital at a concessionary interest rate, the (public-sector) Risk Capital Investment Company provides 27 per cent and the entrepreneur must put up just 3 per cent. Theoretically, this funding is available to anyone with a viable proposal irrespective of academic qualifications. Practically, its procedures are very complex; moreover, it is extremely unlikely that a poor micro-entrepreneur could access such funds.

### **Tunisian associations**

There are some 15 to 20 associations (PVOs) in Tunisia that conduct development activities in the field, especially in rural areas. Some of these have been operating for many years and one, FTDC, was established by Save the Children, USA. Some of these had handled agriculture and rural credit in the framework of their projects, but this was not conceived as micro-credit and generally repayment records were extremely poor, the more so as the government tended to forgive farmers’ debt each time there was a drought.

Following the adoption of the law on micro-credit in 1999, the government sought to establish a micro-credit association in each *délégation* (district). Established development associations were also requested to set up micro-credit programmes under the terms of the law. While the established associations had experience of managing development projects, the new associations have tended to be set up by the *délégués* (sub-prefects), who selected individuals (pharmacist; doctor, school teacher...) and requested them to set up a “micro-credit association”. As of September 2002, 62 associations were providing micro-credit around the country. While the established associations are committed to their development objectives, the specially-created associations tend to simply apply their instructions without reflection on the viability of the system.

The established associations have become acutely aware of the difficulty of continuing micro-credit programmes without the necessary income to manage them and ensure follow-up and regular repayment of loans. Discussions are on-going among the directors of these associations (and doubtless within certain concerned public institutions) as to the long-term sustainability of the current system

**Appendix Table 13 :**  
**Credit Options for Micro-Entrepreneurs**

**The Banking Sector**

The purpose of this section is to examine financial services in the formal banking sector and their relevance to small-scale micro-entrepreneurs.

In Tunisia, the banking sector comprises both public and commercial banks (some off-shore). Public-owned banks constitute the main component.

The banking sector in Tunisia is regulated by the Central Bank. The number of banking institutions, and related branches, is doubtless sufficient for a relatively small country, though there is a substantial degree of concentration in the larger towns, especially the capital. However, access to credit is limited to businesses that operate in the formal sector and are able to provide suitable collateral and comply with a complex application process. Restrictive macro-economic policies include: interest rate controls, high bank reserve requirements, and extensive loan targeting that discourages the banking sector from seeking new clients and handling small transactions. No bank is involved directly in micro-credit<sup>3</sup> which, in any event, was only introduced formally to Tunisia in late 1999, following the adoption of the relevant law.

The commercial banks undertake normal banking operations such as accepting demand deposits and providing short term lending and trade financing. Generally, lending is collateral-based and banks tend to take few risks. There is little competition, in particular from foreign-based banks, and even these are constrained by bureaucratic Central Bank regulations. In terms of savings, the commercial banks have done little to mobilize private deposits, especially small-scale savings, which has deprived the poor of a place to deposit their savings, except for the Post Office that serves a rate of return below the effective inflation rate, and Banque de l'Habitat (savings accounts which later open up the right to housing loans).

Specialized banks have been created to fulfil governmental development objectives in specific sectors, in particular agriculture (The National Agricultural Bank, BNA) and housing (The Housing Bank, BH). Generally, these institutions follow the same type of banking laws and regulations as commercial banks. Indeed, these specialised development banks increasingly resemble any other bank, now providing a wide range of services outside their specialised areas.

Banking institutions in Tunisia are not geared to the needs of small-scale micro-entrepreneurs, especially female micro-entrepreneurs. This lack of access to financial services is also mirrored in banks' practical policy towards small savings accounts. Although there are no legal obstacles to establishing small savings accounts, the poor tend to shun them due to the low interest rate which is served. Also, many banks do nothing to encourage them on the basis that the administrative costs do not justify extending the service. In addition, many of the poor have never utilized banking services and are uncomfortable doing so, this being exacerbated by the often arrogant attitude adopted by bank staff when dealing with poor people. This is fully confirmed by enda's experience where two of the banks it uses - Banque de Tunisie (BT) and Union Internationale de Banques (UIB) have either refused to handle repayments by enda clients or do all they can to discourage them from entering the bank.

**The public sector**

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<sup>3</sup> The Tunisian Solidarity Bank (BTS) - see below - has a micro-credit window through which loan capital is distributed to micro-credit associations which must work within the ambit of the 1999 law on "micro-credit".

under the law and the appropriateness of terms and conditions of the law to the needs of the potentials clients.

### **Informal Sources of Credit**

The family used to be a source of modest capital for micro-entrepreneurs. But with growing economic and employment problems, combined with higher expenditures on non-essential consumer goods, this source is fast drying up.

Three other sources of capital for the poor should also be mentioned. One is wholesaler supplier credit whereby goods are supplied on credit and repaid after sales have been completed; but this brings with it well-known dependency and constraints, tying the beneficiary in to that source with respect to negotiating prices, changing supplier and so on and is fairly costly.

Another, undocumented source, is totally unsecured private loans from persons with capital available, such as medical doctors, on which the effective interest rate can reportedly be extremely high (for instance, reportedly 20 per cent per month). This is a form of usury that purportedly no longer exists in the country.

The third is a system whereby a person purchases goods such as a refrigerator or a computer on credit (interest charged by the shop being as high as 26 per cent) only to resell it immediately for cash in its original packing at a considerable discount, often reaching 30 per cent. A rough guesstimate of the cost is around 80 per cent.

\* \* \*

In summary, commercial banks are not interested in lending to the poor and their conditions (substantial collateral, high minimum loan size, complex loan procedures and so on) are not suited to the poor in any event. As for government programmes, while doubtless well-meaning, they do not target the poor but rather a group with good (paper) qualifications and an ambition to establish a small enterprise but not a micro-enterprise. There again, procedures are complex and ill-adapted to the poor. And besides, the amounts available are too high for the modest real credit needs of the poor. As for the associations, they operate under the considerable constraints of the 1999 law, lack training, have inadequate staff and in general are not really in a position to satisfy the credit needs of the poor.

It is in this context and for these reasons that ENDA Inter-Arabe's micro-credit programme has been so successful, with demand far outstretching currently available loan capital.





## PROJECTION 2003-2008

	2002	2003	2004	2005	2006	2007	2008	Cumulative 1995-2008
Active clients	7 726	11 000	17 000	26 300	40 700	63 200	100 000	
% growth		42,38%	54,55%	54,71%	54,75%	55,28%	58,23%	
Portfolio(TND)	2 118 458	3 100 000	4 700 000	7 500 000	11 600 000	18 000 000	28 000 000	
% growth		46,33%	51,61%	59,57%	54,67%	55,17%	55,56%	
Portfolio(TND) average		2 609 229	3 900 000	6 100 000	9 550 000	14 800 000	23 000 000	
Number of loans disbursed	12 775	17 000	25 500	39 000	59 000	89 000	135 000	395 530
% growth		33,07%	50,00%	52,94%	51,28%	50,85%	51,69%	
Amount of loans disbursed	5 143 200	7 100 000	10 700 000	16 200 000	24 600 000	37 500 000	58 000 000	166 117 081
% growth		38,05%	50,70%	51,40%	51,85%	52,44%	54,67%	
Principal repayment (capital)	4 287 697	6 500 000	9 100 000	13 400 000	20 500 000	31 100 000	48 000 000	132 887 697
% growth		51,60%	40,00%	47,25%	52,99%	51,71%	54,34%	
<b>Capital Needs</b>	<b>-855 503</b>	<b>-600 000</b>	<b>-1 600 000</b>	<b>-2 800 000</b>	<b>-4 100 000</b>	<b>-6 400 000</b>	<b>-10 000 000</b>	<b>-26 355 503</b>
<b>Funds raised (ICCO/CE/Intermon)</b>	<b>845 436</b>	<b>863 000</b>	<b>710 000</b>					<b>2 418 436</b>
<b>Funds required</b>	<b>-10 067</b>	<b>252 933</b>	<b>-637 067</b>	<b>-3 437 067</b>	<b>-7 537 067</b>	<b>-13 937 067</b>	<b>-23 937 067</b>	<b>-23 937 067</b>
New clients	4 728	5 100	8 925	13 650	20 650	31 150	47 250	
Number of borrowers (Cumulative )	12 786	17 886	26 811	40 461	61 111	92 261	139 511	
% of women	90%	90%	90%	90%	90%	90%	90%	
<b>Portfolio Quality</b>								
Average Loan Size	403	418	420	415	417	421	430	
Outstanding balance per client	274	282	276	285	285	285	280	
Portfolio at risk>30 jours	0,46%	1,20%	1,30%	1,35%	1,40%	1,45%	1,50%	
<b>Self sufficiency ratios</b>								
Income from loans	700 856	1 095 876	1 677 000	2 623 000	4 106 500	6 364 000	9 890 000	26 457 232
	33,08%	35,35%	35,68%	34,97%	35,40%	35,36%	35,32%	
Loan Loss Provision	26 437	29 446	48 000	84 000	123 000	192 000	300 000	802 883
Operating Costs	705 995	913 230	1 326 000	1 830 000	2 769 500	3 996 000	5 980 000	
		29,35%	45,20%	38,01%	51,34%	44,29%	49,65%	
Operating Self-Sufficiency	92%	116%	122%	137%	142%	152%	157%	
Cost of funds	164 661	262 015	429 000	671 000	1 050 500	1 628 000	2 530 000	
Financial Self-Sufficiency	75%	91%	93%	101%	104%	109%	112%	
<b>Efficiency ratios</b>								
Cost per unit lent	0,14	0,13	0,13	0,12	0,12	0,11	0,11	
Cost per loan made	57,33	55,45	53,88	49,08	49,03	47,06	46,52	
Number of branches	7	9	16	23	36	55	86	
Number of loan officers	28	40	65	94	143	222	345	
Total Staff	56	83	123	171	249	373	557	
Active client per loan officer	276	276	260	280	285	285	290	
Number of loans disbursed per loan officer	456	427	390	415	413	401	392	
Outstanding balance per loan officer	75 659	77 782	71 882	79 848	81 229	81 171	81 200	
Dropout rate		14%	15%	14%	13%	12%	9%	