

Microfinance

Stories of Impact

This series provides examples of our impact, expertise and lessons learned working with clients and partners.



Helping ENDA Inter-Arabe Stay Ahead of the Curve

Founded in 1990, ENDA Inter-Arabe (ENDA) has risen to become the largest microfinance institution (MFI) in Tunisia, and one of the most successful MFIs in the Middle East and North Africa. Yet in 2011, ENDA was hit hard by the economic instability in the region triggered by the Arab Spring: many microfinance clients lost their livelihoods and were unable to make payments on time.

At a time of limited fund availability in Tunisia, IFC played an important counter-cyclical role, extending a local currency loan worth \$6.5 million to ENDA. In parallel, IFC helped the institution develop a sound recovery strategy, implement advanced risk management and portfolio monitoring practices, and adjust its products to client needs.

“With IFC's support, we were able to develop new tools to look at our portfolio, better assess the risks we are facing, and overall have a more structured and systematic approach to lending which will help us to face a more competitive market in the years ahead.”

— Houda Kebaili, ENDA Risk-Management expert

RESULTS & IMPACT

IFC has :

- Extended a local currency loan worth \$6.5 million to ENDA in August 2012
- Helped the institution adopt advanced risk-management and portfolio monitoring practices
- Assisted ENDA in conducting market research to understand client needs, better market its products and position itself to face new competition

As of June 2013, ENDA has:

- Reached over 226,000 active clients (65 percent of whom are women)
- Built a microfinance loan portfolio of nearly \$90 million
- Maintained stable portfolio at risk (loans overdue by 30 days or more) of below 3 percent, compared to 6 percent in 2011
- Demonstrated that recovery and growth are possible during continuing economic instability

The Opportunity

Founded in 1990, ENDA Inter- Arabe (ENDA) has become one of the most successful microfinance institutions (MFIs) in Tunisia and the broader region - both in terms of number of clients and financial results.

ENDA has focused on lending to low-income households and female micro-entrepreneurs in Tunisia, offering a range of microcredit products tailored to their needs . In addition, ENDA has been providing financial literacy education for low-income communities.

When Tunisia became one of the epicenters of the Arab Spring - a wave of revolutions in the Middle East and North Africa - people at the base of the pyramid were the first to feel the economic distress. Due to high inflation and a steep decline in tourism and other key sectors, many microfinance clients were struggling to make their payments on time. Consequently, Tunisia's microfinance market, which counts up to 400,000 borrowers, was deeply affected by the economic instability.

Like many MFIs in affected countries, ENDA saw its portfolio at risk (loans overdue by 30 days or more) rise from 0.3 percent in December 2010 to over 6 percent by October 2011. Since ENDA financed the majority of new loans through repayments, its operations were impacted. Furthermore, ENDA had to temporarily close some of its branches in the areas most affected by political turmoil.



*Fethia Gueblaoui, a micro-entrepreneur and a client of ENDA Inter-Arabe
(Photo credit above and front page: IFC)*

Our Approach

IFC played an important counter-cyclical role at a time that few investors had funds available for Tunisia, extending a local currency loan equivalent of \$6.5 million to ENDA in 2012 (previously, IFC invested \$ 2.5 million in local currency into ENDA in 2007). IFC also worked with ENDA to further develop its loan recovery strategy, while focusing on risk management and portfolio quality.

As a part of crisis response, ENDA staff met with clients across the country to better understand their problems and needs. These meetings resulted in a new “disaster” loan product for distressed clients, and in some cases - rescheduling and repayment grace periods.

With IFC support, ENDA's field officers focused on recovery, while categorizing clients by the likelihood to repay and highlighting at-risk segments of its portfolio. These efforts and other pro-active monitoring and risk-management tools helped the institution mitigate damage from the economic downturn.

While ENDA slowed its expansion initially to emphasize portfolio quality over volume, it kept the interests of its clients in mind. To this end, ENDA continued to serve clients affected by the crisis and lend to agri-entrepreneurs in Tunisia's rural areas, while opening new branches in the south of the country, and providing financial services to refugees from Libya.

As of June 2013, ENDA had over 226,000 active clients, 65 percent of them women, and a loan portfolio of nearly \$90 million. Its portfolio at risk (PAR>30 days) had returned to below 3 percent – well within the average in the region and better than counterparts in other crisis-affected markets.

In Tunisia, where 1.4 million people - nearly 12 percent of the population - do not have access to formal financial services, microfinance plays a critical role in reaching the poor. Given the high demand and the continuing economic instability in the region, ENDA's recovery and growth are particularly important not just in Tunisia, but by setting an example for other microfinance institutions in Middle East and North Africa.

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

REGION: MIDDLE EAST & NORTH AFRICA | COUNTRY: TUNISIA | STRATEGIC PRIORITY: MICRO- SMALL & MEDIUM ENTERPRISES, GENDER | THEME: MICROFINANCE

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