

Launch of loan products for micro, small and medium enterprises by Advans Tunisie

1. DEVELOPMENT RELEVANCE

Economic and poverty contextⁱ

Tunisia has 11.1 million inhabitants, 66% of whom live in urban areas. Unemployment stands at an average of 15.4% (2015), but is especially high among women (22.6%), university graduates (31.2%) and young people (31.8 %). This, combined with significant regional inequalities, in particular, formed the breeding ground for the social unrest that has led to political transformation since 2011. GDP per capita was USD 3,822 in 2015, compared with USD 4,140 in 2010, before the revolution. Real GDP growth was only 1% in 2015, compared with 2.3% in 2014. This was mainly due to strong agricultural output (+9.2%), particularly olive production, while most other sectors of the economy contracted or stagnated.

No official poverty statistics are available after 2010. According to World Bank estimates, using the 2011 PPP USD 3.1 poverty line, poverty declined from 7.6% in 2013 to 7.1% in 2015.

Table 1 ⁱⁱ : Population and economic indicators	
Population in million (2015)	11.1
GDP growth (2015)	1%
Inflation (2015)	3.7%
Trade balance (% of GDP) (2015)	-11%
Foreign direct investment (net) (% of GDP) (2015)	2.2%
Net ODA received (% of GNI) (2015)	1.1%
Remittances received (% of GDP) (2015)	4.6%
Economic Freedom Index ⁱⁱⁱ (rank among 186 countries) (2017)	123
Poverty indicators	
GDP per capita (USD) (2015)	3,822.4
Gini Index (0= equality 100= inequality) (year)	N/A
International poverty rate (2010; at 1.90 USD/day)	1.99%
National poverty rate (2010)	15.5%
National rural poverty headcount rate	N/A

Governance indicators chart^{iv} (Tunisia, 2009-2015)



Multidimensional poverty index chart^v (Tunisia, 2011/2012)

Financial sector context

In 2011, the national strategy for the development of the microfinance sector estimated that between 30% and 40% of the adult population (2.5 to 3.5 million people), and more than half of the country's enterprises (245,000 to 425,000 registered companies), remained poorly served or entirely unserved by the formal financial sector, despite there being 12 million bank and post office accounts in Tunisia. In November 2011, the country passed a legislative decree that authorised the creation of lending institutions for those on low incomes. It required micro-credit NGOs to become private companies, with Enda the market leader, and created an encouraging regulatory framework for greenfield microfinance institutions such as Advans Tunisie, CFE Centre Financier aux Entrepreneurs, Microcred and Taysir. The Microfinance Control Authority was also established to regulate and supervise the microfinance sector.

Access to financial services still remains limited for a significant part of the population. By the end of 2012, 40% of Tunisian men and 25% of Tunisian women had a current account with a formal financial institution, 3% had a bank loan, and 21% had applied for a loan with their family or friends.

Partner financial institution

Advans Tunisie is a licensed greenfield microfinance organisation. It is a member of the Advans Group¹, an international network of financial institutions. Advans Tunisie is not authorised to collect deposits, but is able to distribute micro-insurance products. It promotes internationally-recognised best practices in microfinance, and strives to extend its outreach to the most disadvantaged areas of the country.

Advans Tunisie provides micro-credit services tailored to the needs of micro, small, and medium-sized enterprises in urban and rural areas in Tunisia. Its range of credit products targets the 'missing middle' between clients served by commercial banks and those served by ENDA.

Advans Tunisie expanded swiftly in its first year of operation, with rapid growth in its loan portfolio (1,300 active loans after the first year, compared with 3,800 as of 2017) and five branch openings, including two outside of Tunis.

2. INTERVENTION APPROACH

Capacity-building needs

In collaboration with SANAD², SCBF offered technical assistance to Advans Tunisie to design, pilot, up-scale and market a range of client-oriented loan products for micro, small, and medium-sized enterprises in some of the most disadvantaged areas of Tunisia. One of the main constraints was access to the remote areas in which Advans Tunisie planned – with some urgency – to explore opportunities to provide loans to micro entrepreneurs, and to adapt the Advans model³ to the Tunisian market. The tailor-made technical assistance provided by the SCBF enabled Advans Tunisie to distribute group and individual loans immediately after launch and, after six months in operation, to introduce loans for small companies with greater financial needs and borrowing capacities.

Main activity areas (goals, targets, resources & time frame); outputs

Before Advans Tunisie was created, preliminary surveys were carried out to evaluate the needs of Tunisian micro-entrepreneurs. The SCBF intervention allowed all of this information to be updated with a more detailed market survey. With this in mind, Advans Tunisie began with two simple products targeting urban customers: a personal loan to be repaid in equal instalments and, for those lacking collateral, a group micro-loan product. In parallel with its lending activities, and as part of its fine-tuning of product features, Advans Tunisie also introduced an insurance product to insure borrowers against the financial consequences of death or permanent disability.

From the very start of operations, Advans Tunisie wanted to enable its staff to benefit from technological solutions by using smartphones and digital applications to support their daily work in the field. It thus developed a smartphone project which has enabled client officers to gather all information they need about prospective and current clients, including their photos and GPS coordinates, during home and business visits. This information is entered straight into Advans's customer relationship management (CRM) system from the mobile device in the field. This smartphone tool can be used throughout the loan process, from the initial loan appraisal visit to follow-up visits and debt recovery. It improves the commercial staff's productivity and increases their motivation. It also simplifies compliance checks, is cost effective, and facilitates better credit risk management. This tool gives Advans Tunisie a competitive edge and establishes it as an innovator in the microfinance sector. Since the launch of operations, all client officers have been equipped with smartphones, making Advans Tunisie the first Advans affiliate at which this project is fully implemented.

All initial staff underwent intense training on Advans values and policies, as well as the group's approach to lending. In addition to this Tunisia-based training, the first executives from Advans Tunisie's sales teams visited Advans Côte d'Ivoire on a fact-finding mission in January 2015. It allowed the teams to discover the realities of microfinance operations, and also served to reinforce Advans values and methodology. This led to a successful launch operation in March 2015. More than 70 employees were trained during the first year, while the total figure since launch is now over 170.

¹ <http://www.advansgroup.com/fr/>

² <https://www.sanad.lu/>

³ The core Advans model rests on principles which are outlined in shared network policies and a standard set of procedures that have been devised and implemented in various affiliates on the basis of common tools (core banking system, accounting software, etc.)

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

Advans Tunisie's objective at the end of the SCBF mission was to target urban customers in all activity sectors. With an average loan of TND 4,500 (USD 1,870), it complements the existing offering by addressing the missing middle. At end of March 2017, Advans Tunisie was targeting urban customers, without any industry restriction. It had a total of 3,778 clients, and outstanding loans totalling USD 6.5 million. The average outstanding loan was USD 1,734. In Tunis, demand was concentrated primarily on personal loans, Advans accepts a flexible range of collateral. At the end of the first year, group loans represented 6% of the portfolio, while personal loans accounted for the remaining 94%.

Key indicators at end-2016

Client level (as at end-2016)	
Number of clients with an insurance product	3,423
Total number of loans outstanding	3,244
Total number of borrowers	3,423
Number of clients on their 3 rd or more loan	44



Since its inception, Advans Tunisie has disseminated videos on financial education to its clients at branch level, covering a wide range of topics such as awareness of basic banking services, budget management, savings, project financing and debt management. Before any loan is paid out, an interview is organised with the client, with the objective of raising awareness about debt management, and to explain the terms and conditions of contracts. The team of credit officers regularly visits clients to provide support throughout the term of the loan, and to discuss how their business is developing. Advans Tunisie teams were trained on financial education at the end of 2015. The course was intended to provide the keys to preparing, facilitating and evaluating financial education activities. Participants learned how to teach clients to keep to a budget, to manage their loan, and also to choose the right savings solutions for them.

Client profiles



Sofiane Ben Rebah started his career in the photography business when he was 17 years old, working with his uncle during the summer holidays. He then decided to start his own business. He purchased a small shop and converted it into a photography store. Ten years later, he expanded the business by opening a photo laboratory. He used his own financial resources but experienced some difficulties in developing the business. When talking about his problems to a client, they told him about Advans Tunisie. He then went with his client to the Advans branch in Ariana and made his first loan application. Fifteen days later, he received approval for a loan of TND 20,000 (approx. USD 8,600), which enabled him to purchase new machines for his lab. Mr Ben Rebah said that he was satisfied with Advans Tunisie's microfinance services and confirmed

that he was looking to renew his loan to further extend his shop and laboratory.

"I'm satisfied with Advans Tunisie's microfinance services, and would like another loan to further develop my business."



Faten Wada started her business in 2005 with a small beauty salon in Cité Intilaka, a western suburb of Tunis. She later travelled to Turkey with her sister for the first time, where she bought some wedding dresses which she rented out to clients. As this experience turned out to be profitable, she decided to purchase a larger space and expand her business by introducing a wedding dress rental service. In March 2015, she noticed the new Advans branch in Cité Intilaka and decided to go in and make enquiries. After receiving information on Advans Tunisie's products she decided to make a loan application. Seven days later, she received approval for a loan of TND 5,000 (approx. USD 2,700), which enabled her to purchase more fabric and accessories for her wedding dress business. Mrs. Wada says that she is more than satisfied with Advans Tunisie's microfinance services, and she is already thinking about taking out another loan in the future to

further develop her business once her current loan term is over.

"I am more than satisfied with Advans Tunisie's microfinance service, it helped me to develop my business very quickly."

Partner financial institution level

Advans Tunisie was able to draw lessons from its network to adapt its core principles to Tunisia, allowing it to shorten its preparatory phase and begin operating faster than expected, with a strong and adapted set of policies.

Advans Tunisie customised its core banking system (CBS) and enhanced it still further, as it was able to develop a set of related web-based tools: a reporting system, a CRM platform, and e-loan appraisal forms to help its branch staff gain easier access to information, work faster, and thus manage priorities better. These tools are currently being shared with other affiliates in the group. The system has proven beneficial, as it has enabled quick, remote access (through smartphones, tablets, and PCs) to key information on the loan portfolio, including reports on pending loan applications, active clients, loans paid out, repayment dates, and client contact details. Key information is displayed on a dashboard which is updated in real time, and each user has specific rights according to their level (e.g. client officer, branch manager, recovery officer, CEO). For example, client officers can see their individual portfolios, while the CEO can see the overall portfolio and analyse achievements against targets. Results have shown that the tool has substantially improved prospective client management, as well as follow-up for loan clients. For commercial staff, it has increased productivity and motivation, as more structure is added to daily tasks. This has also enabled commercial staff to follow more closely the policies and processes that are in place. It thus enhances performance, as it has helped to improve the quality of both the loan portfolio and service to clients.



A client at one of Advans Tunisie's branches

The rapid growth of Advans Tunisie's operations demanded a strong pool of human resources, so the affiliate received the support of experienced Advans experts, as well as Advans Cameroun, during the first few months. Advans Tunisie also worked to further structure its head office by introducing an Internal Audit department, and creating three departments to support commercial operations: Operations Support, Business Development and Credit.

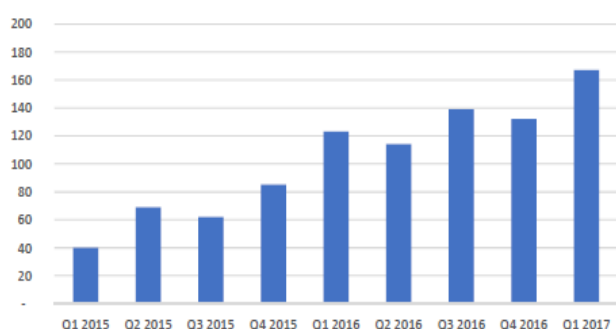
In addition to internal training courses and coaching, Advans Tunisie's team received financial inclusion training from two NGOs, Cawtar and ADA. Intensive capacity-building activities strengthened the technical skills of young staff at all stages of the credit cycle.

Among these young, ambitious and motivated graduates, who were recruited and trained as credit officers, six have now been promoted to managerial level, as branch managers or credit supervisors. Almost all managers started as client officers.

Key indicators at end-2016

Institution level	
Number of credit officers	57
Number of employees	132
Number of female employees (xx%)	59
Number of managers	16
Number of female managers (xx%)	5
Average number of employees during the year	121

Number of staff since launch in 2015



Financial sector level

While it is still too early to draw conclusions about Advans Tunisie's influence on the sector, feedback from partner banks (Amen Bank and Attijari) indicate that many Advans clients, who were initially unbanked, have opened bank accounts with their institutions. Advans Tunisie's standards and improved channels have already been imitated by other Advans affiliates: Advans Ghana and Advans Cameroun with regard to customer relationship management, and Advans Ghana for web-based tools.

4. LESSONS LEARNED

SCBF support facilitated Advans Tunisie's successful launch by helping it to overcome the following constraints:

- Adaptation of the Advans model to the Tunisian environment: before Advans Tunisie's launch, most of the experience of the Advans network had been gained in Sub-Saharan African countries. SCBF supported Advans Tunisie in adapting the Advans model to the specificities of the Tunisian market and the financial needs of Tunisian micro, small, and medium-sized enterprises.
- Availability of staff with microfinance experience: as the microfinance sector was fairly limited in Tunisia, it was quite unlikely that Advans Tunisie would be able to find candidates with suitable experience. SCBF funding enabled Advans Tunisie to increase the capacity of staff at different levels (sales teams, middle managers, top managers).

The main challenges faced during the implementation of the capacity-building programme were:

- Increasing competition: the new CFE Centre Financier aux Entrepreneurs MFI launched its operations in Tunis, while existing competitors (Microcred, Taysir) rapidly opened branches in areas covered by in Advans Tunisie's business plan. In addition, the new status of Enda allowed it to disburse loans of up to TND 20,000 (USD 8,360), compared with the previous limit of TND 5,000 (USD 2,080).
- Field staff turnover: sales staff turnover had a critical impact on sales development. Turnover hinders productivity growth as it takes several months for a credit officer to fully handle the loan process analysis. It is also time-consuming in terms of portfolio transfers, which usually impact portfolio quality. Advans Tunisie reviewed its recruitment process to attract sales staff with more appetite for field work, and an interest in the challenges faced by micro-businesses. The training programme was reviewed to increase time spent in the field at the initial stage (observation period in existing branches), to avoid investing heavily upfront in staff training before being confident that the new recruits have the right profiles to fill the job.

Despite these challenges, Advans Tunisie was among the first microfinance banks to enter the micro, small, and medium-sized enterprise loan market, with initial results showing interesting potential. In recent months, Advans Tunisie has also been implementing a series of organisational changes in response to the lessons learned during its first years of operation. Additional growth will be achieved with new branches in remote areas, as well as with the loan product range, and the use of alternative delivery channels to address market needs and sustain faster expansion over the next few years.

ⁱ Tunisie : rapport de suivi de la situation économique (Avril 2016). The World Bank, <http://www.banquemondiale.org/fr/country/tunisia/publication/economic-outlook-spring-2016>. Accessed (09-05-2017)

ⁱⁱ The World Bank Group (2015). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (09.05.2017)

ⁱⁱⁱ Heritage Foundation, (2017) Index of Economic Freedom, <http://www.heritage.org/index/ranking>. Accessed (09.05.2017)

^{iv} The World Bank Group (2015). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed (09.05.2017)

^v Oxford Poverty and Human Development Initiative (2012). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford.

http://www.dataforall.org/dashboard/ophi/index.php/mpi/country_briefings. Accessed (09.05.2017)