KNOWING WHAT WORKS

# Project evaluation: summary report

## Tunisia: Promotion of the microfinance sector

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| Title according to the commission: | Promotion of the microfinance sector in Tunisia |
| Project no.: | 2012.2492.2 |
| Country/region: | Tunisia, MENA region |
| CRS sector: | 24010 Financial policy and administrative management |
| Overall objective: | The regulatory and institutional frameworks for the development of the microfinance sector are strengthened. |
| Overall term: | October 2012 to September 2015 |
| Total costs: | EUR 2,500,000 |
| Commissioning party: | German Federal Ministry for Economic Cooperation and Development (BMZ) |
| Lead executing agency: | Ministère des Finances Tunisien (Tunisian Ministry of Finance) |
| Implementing organisations (in the partner country): | Autorité de Contrôle de la Microfinance (Microfinance Supervisory Authority) |
| Other participating development organisations: | - |
| Target groups as per the offer: | Individuals and micro-entrepreneurs in the informal sector with an income of less than TND 3.5 a day (1.9 to 2.4 million adults), formal micro-entrepreneurs with fewer than six employees and an annual revenue of less than TND 30,000, small entrepreneurs with an annual revenue of between TND 30,000 and TND 200,000, small and micro agricultural entrepreneurs with agricultural earnings of less than TND 6,000. |

### Project description

#### *Framework conditions*

In 2013, Tunisia was ranked 90th (out of 187) in the Human Development Index (HDI). In 2014, the country's gross domestic product (GDP) was USD 48.6 billion, and per capita income stood at USD 3,995. 15.5% of the population lives in poverty. 13.3% of 15 to 64-year-olds are unemployed. In rural regions, the unemployment rate is as high as 40%; for 16 to 24-year-olds, it is 25.2%. In September 2014, 16.4% of university graduates were unable to find jobs. The social and economic exclusion of broad sections of the population, especially young people, played a key role in the political and social unrest in Tunisia, and continues to jeopardise social peace. The promotion of the microfinance sector serves to counteract this trend and contribute to the development of a micro and small business sector. Only about one third of people living in Tunisia have their own bank account. Large sections of the population still have no access to financial services. In addition to lacking access to credit, access to a wide variety of financial services such as investment opportunities for savings, insurance services and money transfers is also inadequate. Overall, Tunisia's financial system is still in the early stages of development compared with other regions.

***Strategic approach of the project***

The project is active at four intervention levels that address the political and regulatory levels (macro level) as well as the sector/meso level. The national microfinance sector strategy adopted in 2011 is implemented using a conflict-sensitive and participatory process involving key stakeholders (***intervention level 1***). The project supports the development of sector infrastructure, with the establishment of a credit information office and creation of a professional association contributing significantly to the implementation of the microfinance sector strategy. The establishment and operationalisation of the microfinance supervisory authority (***intervention level 2***) is the key component of the TA measure. The Microfinance Supervisory Authority is responsible for the licensing and supervision of microfinance institutions. It oversees the implementation of relevant regulations and ensures a transparent and uniform reporting system. The importance of this body for the further development of the sector was very much taken into account in the project design, which provided for concomitant support to be delivered.

The project also focuses on improving regulatory and institutional frameworks (***intervention level 3***), taking into account international standards. It supports the Ministry of Finance and the Microfinance Supervisory Authority as an integrated decision-maker with the aim of ensuring the implementation of the microfinance law, which was also adopted in 2011, through supplementary implementing regulations (on consumer protection, for example). In addition, the project aims at enabling partners to formulate further sector policy (***intervention level 4***) through, among other things, advice on the establishment of an observatory for the sector. This institution is to systematically identify trends and help shape the medium-term development of the microfinance sector.

Individual programme indicators do not fully comply with the SMART criteria and, in some cases, are interdependent. The second indicator, 'At least 70% of registered microcredit institutions send the necessary reports to the Supervisory Authority in full,' can only be achieved if the Supervisory Authority is functional, reporting structures are clearly defined and microfinance institutions (MFIs) are already licensed (intended result of indicator 1). Although supporting the establishment of the Supervisory Authority and defining reporting formats were part of the project, it should be noted, for example, that the first licensing process took longer than planned. The wording of the indicator was too ambitious and not all aspects could be influenced directly by the project. The fourth indicator calls for a sector-wide survey, in which MFIs assess the broadening of business opportunities following the adoption of new laws and implementing regulations. This implies that MFIs were licensed and that corresponding laws and implementing regulations facilitating the broadening of business opportunities were adopted during the project term (multistage indicator). In addition, a sector association, which is yet to be established, is required for the survey. Given that under the provisions of the microfinance law of 2011 MFIs may only issue microloans, the development implied in the fourth indicator was very optimistic even at the beginning of the project. The fifth indicator relates to the adoption of a regulation by the Ministry of Finance on the basis of information provided by a microfinance observatory. Owing to a decision on the partner side, efforts to create a body of this sort were only promoted as of 2015, with support from one other donor. The fifth indicator was therefore outside the scope of action of the project and has not been included in the assessment of effectiveness.

| Overall rating according to the OECD-DAC criteria: | Individual rating of the OECD-DAC criteria: |
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| To determine the project's overall rating, calculate the average of the individual ratings of the five OECD-DAC criteria:<br><br>14 – 16 points: very successful<br>12 – 13 points: successful<br>10 – 11 points: rather successful<br>8 – 9 points: rather unsatisfactory<br>6 – 7 points: unsatisfactory<br>4 – 5 points: very unsatisfactory | Relevance: **very successful** (14 out of 16 points)<br>Effectiveness: **successful** (13 out of 16 points)<br>Impact: **rather successful** (11 out of 16 points)<br>Efficiency: **successful** (12 out of 16 points)<br>Sustainability: **rather successful** (10 out of 16 points)<br><br>The project is rated **successful** with a total of 12 points out of 16 points. |

**Relevance**
Are we doing the right thing?

The target group's core problem is insufficient access to financial services. The prerequisites for a sustainable and demand-driven microfinance sector are created by improving regulatory and institutional frameworks. The design of the development measure builds directly on the sector strategy adopted in the partner country. The strategic approach and measures implemented thus far are highly relevant for the target group and for the support delivered to Tunisian project partners. By strengthening the Supervisory Authority, the project focuses on an area that is key to the development of an efficient microfinance sector in Tunisia. The project is also consistent with internationally recognised best practices and BMZ's sector strategy for financial systems development.

The relevance of the project is rated **very successful** with 14 points.

**Effectiveness**
Effectiveness (Will we achieve the project's objective?)

| Objectives indicator[1]: | Target value according to the offer | Current status according to the project evaluation |
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| Indicator 1: At least three microfinance institutions (MFIs) have undergone the licensing or registration procedure initiated by the new Supervisory Authority. | Baseline value: There is no Supervisory Authority.<br>Target value: At least three MFIs have undergone the licensing procedure. | Four microfinance institutions have been licensed thus far; the process is under way for a further three institutions<br>The indicator has been achieved. |
| Indicator 2: At least 70% of registered microfinance institutions send the necessary reports to the Supervisory Authority in full. | Baseline value: There is no reporting system for microfinance institutions in Tunisia<br>Target value: At least 70% of registered microcredit institutions send the necessary reports to the Supervisory Authority in full. | The reporting system is still in the development phase. A manual exists and the Supervisory Authority's staff have been trained. The Supervisory Authority will ask microfinance institutions to submit reports for the first time before the end of the project. A credit information office, established with support from the project, is in the test phase.<br>The indicator might be achieved by the end of the project.[2] |
| Indicator 3: Recommendations for action regarding microfinance for women have been drafted on the basis of a gender-specific analysis of developments in the microfinance sector. | Baseline value: There are no gender-specific analyses of the microfinance sector thus far.<br>Target value: Recommendations for action have been developed. | A corresponding study was carried out and is available to the project team. Gender-differentiated indicators are being incorporated into the development of a reporting system by the Supervisory Authority.<br>The indicator has been achieved. |

[1] In some cases, the objectives indicators do not meet the SMART criteria, i.e. they are not specific, measurable, achievable, relevant or time-bound. This can limit the validity of results.

[2] This indicator was achieved subsequent to the local evaluation mission (as of August 2015).

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| Indicator 4: A sector-wide survey in Tunisia confirms that sector-specific laws and implementing regulations have broadened business opportunities for microfinance services. | Baseline value: At the beginning of the TA measure, the only law which existed was the 2011 law on microfinance institutions, which permits MFIs to offer only microloans as a financial service (to micro-entrepreneurs) for income-generating activities.<br><br>Target value: Positive survey values on the broadening of business opportunities for microfinance services owing to better frameworks | During the project term, no laws or implementing regulations were passed to broaden business opportunities for microfinance services. A variety of activities, implementing regulations and studies were initiated which might broaden business opportunities for microfinance services in future. The expansion of business areas is not possible at present under the provisions of the legislation currently in force.<br><br>The indicator was partly achieved. |

The evaluation team comes to the conclusion that objectives indicators 1, 2, and 3 will be *fully* achieved and objective indicator 4 will be *partly* achieved by the end of the project.

The effectiveness of the project is rated **successful** with 13 points.

**Overarching development results** (impact)
Are we contributing to the achievement of overarching development results?

The overarching development changes shown in the results model include an increase in income for poor population groups and a reduction in social tension. The project proceeds to reduce poverty in several different stages. A financial system with sustainable institutions and international standards promotes the provision of demand-based financial products and services that benefit poor sections of the population in particular. Better access to financial services offers people with low incomes greater scope for economic activities. This group is therefore better equipped to deal with fluctuations in income and financial emergencies.

Owing to the timeframe of the project, it is not yet possible to draw final conclusions about the inclusiveness of project measures. However, development results are expected in the medium to long term, provided national and international stakeholders can continue to develop the microfinance sector in line with the results achieved to date. The project has made important contributions to the establishment of an institutional basis for the microfinance system. After all, it was only possible to license MFIs pursuant to the new law after the Supervisory Authority was up and running. Four newly licensed microfinance institutions and one previously existing MFI are active on the market and issuing loans, a basic prerequisite for achieving development changes in the medium term.

Furthermore, complementary cooperation with selected partners at the micro level is a strategically positive step and has increased the probability of achieving medium-term development results at various levels of the results chain. In particular, project participation in restructuring a microcredit association as a private-sector entity and subsequent licensing by the new supervisory authority has created a reference model for the further restructuring of credit associations in Tunisia.

The impact of the project is rated **rather successful** with 11 points.

**Efficiency**
Are the objectives being achieved cost-effectively?

The project has achieved good results relative to the funds provided, especially in view of the high level of appreciation shown by partners for the advisory services provided thus far and the breadth of activities initiated.

The Supervisory Authority was established at the end of 2012. The project had limited scope to influence the delayed commencement of project activities, as the Authority was not fully operational until July 2013. Project activities were initiated by an international long-term expert at the end of 2012, while the head of the project started work in May 2013. Owing to staff changes, the field staff position was vacant from January to March 2014.

The planned national expert was not hired. The evaluation team believes that a third expert with local background knowledge could have made a valuable contribution to the achievement of objectives, especially in light of the complex framework conditions. During the initial project phase, the outflow of funds was slower than planned. The ratio of objectives achieved to funds used is good. The project has spent around EUR 1.7 million of its EUR 2.5 million budget. Another EUR 0.2 million will probably have been used by the end of September 2015. Moreover, the use of resources was optimised with other donors. The World Bank, for instance, covered some of the costs of setting up the credit information office. The funds saved were used to support MFIs on a case-by-case basis at the micro level.

The efficiency of the project is rated **successful** with 12 points.

**Sustainability**
Are the positive results durable?

The expertise built up within the Supervisory Authority in the area of regulation and supervision of the microfinance sector in Tunisia will continue to be of great importance in the long term. The project has contributed to the operationalisation of the Authority and to enabling it to play its intended role. Through staff training, daily support and international expert exchanges (Germany, Jordan, Morocco), the project has made a crucial contribution to enabling the supervisory authority to effectively play its part as a supervisory body for the microfinance sector in accordance with international practices.

The project is also helping to introduce internationally recognised standards and best practices in the financial sector, and is supporting the Tunisian Government's efforts to further this aim.

After only three years, it is not yet possible to adequately assess the sustainability of this project, especially since many of the supported measures were nearing completion at the time of the evaluation. The possibility of continuing project activities as part of the regional project Promotion of the Microfinance Sector in the MENA Region was addressed at an early stage.

The sustainability of the project is rated **rather successful** with 10 points.

**Published by**

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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