

Phone conversation between Enda Inter-Arabe (Michael Cracknell, General Secretary) and GiveWell (Natalie Stone) on July 27, 2010

GiveWell: What percentage of clients have dropped out of the program each year? How does ENDA calculate this rate? Can ENDA share reports on why clients drop out?

Enda: Drop-outs are simply those who do not renew their loans. We lost 30,000 clients last year. 20,000 were clients who were using the loans for consumption rather than business, and so we didn't renew their loans. Another group were those that didn't really drop out, but who use loans seasonally. About 5 000-10 000 didn't renew due to personal reasons. We try to interview dropouts to find out why they do not renew in order to be able to respond to their concerns.

The drop out rate is calculated as (active clients at the end of the period / active clients at the beginning of the period + new clients of the period).

Enda drop out rate 2009 = 20%

GiveWell: What interest rates and fees does ENDA charge its loan clients? What is the repayment schedule? Is there a savings requirement?

Enda: We can send you information on that. Starting in June 2010, we have reduced the overall cost of our loans (interest, fees etc) from approximately 34% to 29%. The impact of this change on each micro-entrepreneur is quite small, but it will cause a fairly substantial loss of income for us which we shall try to compensate by improving productivity, reducing recruitments, making even more use of technology... In our most recent rating by MicroRate, they said that the cost of our loans was among the lowest of the institutions that they have rated.

We are not authorized to take savings due to our current NGO status, so there is no link.

GiveWell: Does ENDA have data on its clients' standard of living?

Enda: To some extent we do. We did an impact study about 5 years ago and are planning another. The loan officers know a great deal about this, but that information tends to stay in their heads and we don't have a great way to collect it to make it useful to the whole institution. We are currently improving our MIS to include economic and social data and shall set standards to ensure that data is dependable. We have a research team that does small studies and I shall send you anything I think would be of interest.

GiveWell: How does ENDA track its repayment rate?

Enda: We track the overall and on-time repayment rates. Our overall repayment rate is 99% (going back to 1995 when we began microcredit). Our on-time repayment rate has declined recently from 95% to around 90% due to the effects of the economic crisis. Data is collected at the branch level and sent to the main office via ADSL: we have full information about repayment in real time. An important ratio for every IMF to track is the portfolio at risk (PAR). A payment is counted as being at risk if it is one day or more overdue. The PAR is calculated as the amount of the portfolio at risk > 1 day divided by total gross loan portfolio. Our PAR is very low, at around 1%, up from 0.5% a year ago. Some IMFs around the world have a PAR of 10% or more, again mainly due to the impact of the world economic crisis.

GiveWell: Is there a process for monitoring whether procedures for preventing over-indebtedness are effective?

Enda: In Tunisia, there are only two formal sources of microcredit: enda and a government programme. But people can obtain supplier credit, loans from their family, from usurers and so on. So there is really little we can do directly to prevent clients from becoming over-indebted. We are now providing financial education to teach clients, among other things, about the dangers of over-indebtedness and how to avoid it. Currently, the credit bureau, through which client

information can be shared, concerns larger lending institutions and amounts under DT 1 000 (\$750) are not covered.

GiveWell: Are practices for protecting clients from harassment effective? How is staff performance evaluated and rewarded?

Enda: We have a hotline that clients can use to call in and report issues. We do an analysis of these phone calls and try to take measures to respond where a similar issue comes up frequently. We spend \$250,000 a year on staff training, and one of the things we train them in is client protection, with a particular accent on respect and providing full information. We have clients' rights posted in all the branches.

We pay staff with a combination of a flat salary and a quarterly premium. Premiums have to be very fine-tuned since they can sometimes send wrong messages. Premiums are determined by factors such as the number of new clients, loan portfolio size, PAR etc.

GiveWell: It is our understanding that Enda does not offer voluntary savings services. Is that correct?

Enda: That's correct. We are not allowed to by law due to our current NGO status, but we're working on becoming a financial institution which should come with permission to collect savings but that will be some time down the road.

GiveWell: How much in additional donations could ENDA productively use in the next year? What would such donations be used for?

Enda: Right now we're self-sufficient. But such donations as we receive, for instance to undertake a particular study or strengthen our non-financial services (training, information and discussion sessions...), would reduce our direct costs, thus leaving more of our income to grow the loan fund. Right now, we could use donations to pay for professional assistance to present our financial educational programme in the form of videos to expand the outreach of this important tool. Another use could be to undertake a full-scale impact study five years after the previous one: that would help us greatly in improving our services.

Each would cost between \$70 000 and \$100 000.

Regarding access to funds for refinancing enda in order to satisfy the fast-growing demand, we are refinanced by Tunisian banks and international financial institutions. Our needs for 2010 are covered and well advanced for 2011. We are planning fairly strong growth through 2012 when we expect to have 300,000 clients, which is an ambitious target. It could be constrained by funding issues since the amounts involved are quite high. Our current status does not allow us to take investments so the only way to raise extra capital is through borrowing; some private investors in microfinance are willing to provide loans until our status changes.