Transforming SME Access to Credit in Tunisia

Background
Small and medium enterprises (SMEs) in Tunisia and throughout the Middle East and North Africa are the backbone of economic growth, yet they are largely neglected by the financial sector as banks battle for the highly competitive corporate and consumer market segments.

The Middle East Investment Initiative (MEII), in partnership with the U.S. Overseas Private Investment Corporation (OPIC), launched the Tunisian Credit Guarantee Facility (TCGF) and technical assistance program in order to support economic development and employment generation in Tunisia.

TCGF is designed to encourage banks to provide appropriately structured credit to these businesses, which are often called the economic “missing middle.”

The MEII Approach
The Tunisian SME sector faces multiple challenges accessing finance, including a heavy reliance on collateral, insufficient financial products, and a lack of SME transparency. TCGF stimulates SME lending by providing its partner banks with guarantees of 70% of the principal amount of loans to bankable SMEs to offset prohibitively high collateral requirements, which average 167% of the loan value. More importantly, TCGF provides its partner banks with technical assistance to assess the viability of SME projects and structure loans to effectively meet working capital and longer-term needs of borrowers, maximizing potential for full repayment.

Franchising in Tunisia
TCGF will also focus on financial product design for franchises and SMEs in the franchise value chain. Prior to 2009, franchising was largely non-existent in Tunisia due to the political environment and lack of a supporting legal framework. Following the enactment of a new franchise law, the Tunisian government has slowly begun to liberalize this sector as a means to grow the economy and create jobs. Franchises come with proven business systems and established branding, which are often invaluable for new business owners.

Additionally, franchising can help established businesses expand quickly and efficiently. MEII is working with the International Franchise Association and its members to educate banks and entrepreneurs about the relevant underwriting criteria and the unique financing needs of these businesses.

TCGF at a Glance

Goal
Stimulate sustainable lending to Tunisian Franchises & SMEs utilizing cash flow-based lending techniques.

Impact
• SME growth and Job creation.
• Support to the franchising enabling environment.
• Enhanced lending capacities of banks through technical assistance.

Dimensions
• $50 million guarantee facility
• Guarantee 70% of loan principal and up to 6 months’ interest, in return for a utilization fee.
• Technical assistance to banks.
• 10-year program with medium and long-term vs. “quick fix” strategy.
• Participation of select banks.
• Loan size up to equivalent of $1,000,000.
• Franchise, working capital and/or fixed assets loans.
• All economic sectors and regions eligible.
• Any type of business, including start-ups.