

POLICY SUPPORT TO MICROFINANCE

THE ROLE OF BCEAO AND THE MINISTRY OF FINANCE

Presented by

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INTRODUCING BCEAO

A CENTRAL BANK FOR WEST AFRICAN STATES

- BCEAO is a Central Bank established in November 1973 for 8 West African countries forming a West African Monetary Union (WAMU).
- The countries making up this Monetary Union are Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo

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INTRODUCING BCEAO Contd.

- The 8 countries take up a space of 3,5 millions Sq/Kms and comprise a total of 80 millions people.
- The union has facilitated the use of the same currency for the 8 countries called the BCEAO Francs (CFA)
 - 1Us \$ = 500 CFA (originally as a nominal rate)
 - 1euro = 656 CFA



KEY INDICATOR OF THE MICROFINANCE SECTOR IN THE WAMU

1. Legal recognition for MFI is in Act 38 and article 22 of the of the BCEAO Agreement of 1973
2. Indicators as at 31/12/2006 spread over 8 countries
 - Total MFIs : 700
 - Number of branches : 4,200



KEY INDICATOR OF THE MICROFINANCE SECTOR IN THE WAMU

3. Total number of MFI clients :
 - 7,2 millions which is
 - 7% of the total population
 - 15% of the active population.
4. Client population gender
 - 45 % of the total clients are women
5. Total saving
 - US\$ 650 millions
6. Total Lending : 672 millions Us \$



COMPARAISON WITH THE FORMAL BANKING SECTOR

- Savings held are 6.1 % of total saving of the banking sector
- Outstanding loan portfolio is 7.1% of total outstanding loan portfolio of the formal banking sector.



PERFORMANCE INDICATORS

(USD million)	2004	2005
• Total profit generated by MFIs	14.6	12.2
• Fix assets of MFIs	140.0	120.0
• Job created by MFI (staff) as at 31/12/2006 was 11, 250		



REGULATION OF MFI

- The same regulation/law and by-laws in the 8 countries/zone.
- The BCEAO (Central Bank) is mandated to regulate and supervise the microfinance sector in 8 countries.
- A unique law for all mutualist MFI
- A special agreement for all non-mutualist MFI

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REGULATION OF MFI (contd)

- BCEAO has set up instructions to regulate MFI operations
- Each country have to set up
- An Association of microfinance Institutions to coordinate MFI activities.

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FORM OF MFI IN THE WAMU

LEGAL ORGANISATION	HOW TO BE LICENCED
MFIs based on Mutualism (cooperative form) and member of a network	<ul style="list-style-type: none"> - Apply for an agreement to operate an FI with Ministry of Finance - The Central Bank which will issue a licence
MFIs based on Mutualism and non member of a network	Apply for an agreement to the ministry of finance to operate a FI
Saving and Credit Cooperative	<ul style="list-style-type: none"> - Apply for an agreement to cooperate with ministry of finance - Agreement issued by ministry of finance
Financial Apex for MFI	Licensed by central bank under the Banking Act
Union of SACCOs or Federation, etc...	Licensed by Central bank



ROLE OF BCEAO

- Issues initiating common rules for :
 - Mutualism MFI (in 1993) (PARMEC – law)
 - Bye laws to regulate MFIs operations and prudential guidelines
 - Instructions for all request for licensing
 - Give approval to start operating control of licensed MFI
 - Within the MFI and
 - On received information



ROLE OF BCEAO (contd)

- Make statement on saving and loan methodologies
- Make a statement on MFI ability to fulfil the Central Bank requirement
- Set up within each MFI an Internal control system



ROLE OF BCEAO (contd)

- Review all MFI financial reports including auditor's- reports
- On request of ministry of finance carry out audit on MFI activities
- Central bank can withdraw licence in case of lack of acceptable or inadequate performance in view of BCEAO requirements.



ADVANTAGES PROVIDED BY THE BCEAO REGULATION/SUPERVISION

- There is no imposed legal framework to start a MFI
- There is no minimum capital requirement to start a MFI
- The legal form can be conceived by MFI owners
- All legal persons are free to start an MFI



ADVANTAGES PROVIDED BY THE BCEAO REGULATION/SUPERVISION (contd)

- Each MFI is free to set up its own constitution and bye-laws in form of its rules of operation
- There is available Tax exemptions for all MFIs operating in the WAMU area.



CHALLENGES OF THE BCEAO REGULATION/SUPERVISION

- Governments are keen to deliver agreements spontaneously to MFIs,
- There is lack of supervision from national authorities
- National authorities find it difficult to apply penalties to MFIs
- National entities have difficulties in getting information from MFIs



CHALLENGES OF THE BCEAO REGULATION/SUPERVISION (contd)

- Non production of relevant information/statistics by MFIs
- MFIs Internal controls are very weak
- Lack of proper application of the BCEAO rules
- Lack of adequately qualified staff in MFIs
- Problem of governance in MFIs (no changes or challenges to the leadership due to inadequate ownership structures and unresolved issues)



ROLE OF MINISTRY OF FINANCE

- Initiate MFI-bills, laws and bye-laws on MFI
- Issue agreement to non-mutualism MFI
- Create awareness of and promote MFI activities

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ROLE OF MINISTRY OF FINANCE (contd)

- Provide national incentives to promote the MFI sector
- Facilitate the expansion of MFI – outreach
- Support MFIs activities on a country level



ROLE OF MINISTRY OF FINANCE (contd)

- Coordinate all MFI activities within the country
- Advise the central bank on socio-economical environment on each country level
- Make sure the central bank guidelines are implemented



ROLE OF MINISTRY OF FINANCE (contd)

- Data collection on MFIs activities
- Share information on best practices with MFIs and other stakeholders
- In consultation with national stakeholders, carry out research to promote MFI operations



NEED FOR INNOVATION IN POLICY SUPPORT TO MICROFINANCE

- Review of the legal framework requirement
- Reinforce the supervisory role of central bank
- Empower national association of MFIs.
- Improve the information system and flow between MFIs and national entities



NEED FOR INNOVATION IN POLICY SUPPORT TO MICROFINANCE (contd)

- Help with capacity building for staff and leaders of MFI
- Improve information sharing among stakeholders
- An MFI must be a member of national Apex organisation of MFIs

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CONCLUSION

- Due to a very flexible regulation system, the MF industry in the WAMU is growing very fast,
- However the financial services are not diversified throughout
- Therefore although the central bank has issued some guidelines for regulation and supervision, challenges still remain on national levels on issues such as:
 - Product development
 - Capacity building,
 - Information sharing...



CONCLUSISON (contd)

- Improvement must be done in the control system to secure the deposits and assure more sustainability
- Non financial services need to be promoted
- linkages between MFI and Banks need to be created to ensure accessibility to financial services to more clients specially in rural areas.



THANK YOU FOR YOUR ATTENTION

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