Microfinance Sector in Burkina Faso

Burkina Faso’s microfinance sector is overseen and supervised by the Ministry of Economy and Finance, as well as two other ministry offices: the Permanent Secretary for the Promotion of Microfinance and the Directorate for Supervision and Control of microfinance institutions. At the regional level, the West African Union’s Central Bank (BCEAO) supervises the sector, as it does for seven other West African Economic and Monetary Union (WAEMU) countries. Microfinance activities in Burkina Faso are governed by Law No 23-2009/AN of May 14, 2009, which covers regulations and BCEAO guidelines for MFIs.

The microfinance sector in Burkina Faso is growing, but is characterized by a significant imbalance in institutional size and capacity. One institution, Réseau des Caisses Populaires du Burkina (RCPB), serves 60 percent of MFI clients, and accounts for 80 percent of the outstanding portfolio and savings. There are 12-15 mid-sized MFIs and a large number of smaller, struggling institutions.

The National Microfinance Strategy and Plan of Action 2012-2016 has prioritized consolidating the sector by either strengthening or closing the weakest MFIs that pose a threat to clients and the sector. The National Strategy has also prioritized protecting the interests of MFI clients and preserving confidence in the sector by increasing social performance management.

Progress on a responsible finance agenda is uneven, with RCPB and some mid-sized MFIs taking small steps towards addressing transparency and client protection issues, while most MFIs have little knowledge of these subjects.

Sector Issues for Responsible Finance

- The large numbers of weak MFIs in the sector pose a threat to clients.
- Regulatory bodies, the Permanent Secretary for the Promotion of Microfinance and the Directorate for Supervision and Control of MFIs, are both newly-created structures that require support to effectively implement their respective mandates concerning MFI oversight.
- The Directorate for Supervision and Control of MFIs has challenges collecting financial reporting data from some members.
- No credit bureau exists for the sector. BCEAO plans to create a credit reference bureau in 2014, but it is unclear when it will be operational.
- Some internal recourse mechanisms have been developed by RCPB and other mid-size MFIs but internal recourse is weak in general.
- There is currently no external recourse mechanism, and no clear plan to develop one.
- MFIs are required by law to post interest rates, fees and loan conditions, but not in a standardized format, which makes comparing products difficult for clients.
- Widespread financial illiteracy and limited financial education opportunities also make it difficult for clients to understand products and service options.
- Only 16 out of 57 AP/SFD-BF members reported to the MIX in 2012, the primary platform for increasing visibility and attracting external investment.

Professional Association for Microfinance Institutions of Burkina Faso

Association Professionnelle des Systèmes Financiers Décentralisés du Burkina Faso (AP/SFD-Burkina Faso) is viewed by MFIs and stakeholders as playing a central role in microfinance activities in Burkina Faso. All major MFIs in the country are members of the association, including RCPB, which reinforces AP/SFD-BF’s relevancy. The Responsible Finance through Local Leadership program is supporting AP/SFD-BF in addressing organizational needs, particularly the delivery of demand-driven services that respond to member and sectoral needs for increased transparency and improved client protection practices.
The Responsible Finance through Local Leadership program is a partnership of The SEEP Network and The MasterCard Foundation. It seeks to build the organizational capacity of microfinance associations in Sub-Saharan Africa to deliver high quality, demand-driven services to local markets; create more transparent business environments; and promote the widespread application of consumer protection practices. The resulting knowledge and experience will be shared with associations across Sub-Saharan Africa to scale and sustain industry growth.

### AMIR’s Presence in the Sector

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<tbody>
<tr>
<td>Number of legally registered MFIs</td>
<td>77</td>
<td>56*</td>
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<tr>
<td>Number of persons benefiting from MFI services (members, borrowers, or depositors)</td>
<td>1,388,526</td>
<td>1,319,099</td>
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<tr>
<td>Market penetration rate (for total population)</td>
<td>11%</td>
<td>10.15%</td>
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*AP/SFD-BF’s 56 members represent 170 organizations, as a number of these are umbrella institutions that incorporate other registered MFIs.

### AP/SFD-Burkina Faso’s Responsible Finance Agenda

**Objective:** Strengthen the association’s ability to promote better consumer protection practices and contribute to transparency in the sector through improved industry-wide performance monitoring and benchmarking reporting.

#### Steps toward better consumer protection practices

- Through Catholic Relief Services’ MISION-Africa program, carried out social performance management (SPM) activities, including member trainings and the application of Social Audits, Progress out of Poverty Index, and the Balanced Scorecard
- Actively advocated for the inclusion of transparency and consumer protection principles (CPPs) in Burkina Faso’s new National Microfinance Strategy 2012-2016
- Code of conduct includes several CPPs

#### Steps toward more transparent markets

- Sixteen members report to MIX Market
- Worked with Microfinance Transparency to train members in cost transparency

### Priority Actions

**Priority Actions**

- Develop a national strategy on social performance management
- Train all 12 staff members in CPPs
- Integrate SPM and CPP into other AP/SFD-BF training modules as appropriate
- Train members on the code of conduct and have the Ethics Committee carry out follow-up visits to implement the code

**Priority Actions**

- Forge a formal agreement on reporting with MIX Market
- Train members on reporting to MIX in order to increase levels of member reporting
- Provide regular performance reports to members and sector

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