

AFR/017: Promoting inclusive financial sectors in the West African Economic and Monetary Union (WAEMU/ UEMOA) Zone

A partnership between the UEMOA - Central Bank of West African States (BCEAO) and the Luxembourg Cooperation

The idea of programme AFR/017 results from the exchanges between the government of the Grand Duchy of Luxembourg and the authorities of the West African Economic and Monetary Union (UEMOA). WAEMUs' authorities have expressed the need to strengthen the microfinance sector in the sub-region as an integral part of implementing the Regional Economic Programme (REP).

The proposal from the government of the Grand Duchy of Luxembourg's proposal to finance and implement the Promotion Programme for inclusive financial sectors in the WAEMU/UEMOA zone is based on the following argumentation:

- i) the importance of microfinance sector in the UEMOA zone, its generally recognised impact in the fight in alleviate poverty and the need to strengthen the actors of the sector;
- ii) the key role played by the Central Bank of West African States (BCEAO) in developing and secure this decentralised funding operation, which itself led to the establishment of the Regional Decentralised Finance Support Programme (PRAFIDE);
- iii) past experience of Luxembourg development cooperation in this sector and its wish to scale up its activities.

The 4 major foci of intervention of the PRAFIDE are:

- Modernisation of the legal framework (statutes, decrees and institutions);
- Improved supervision;
- Support for the sector;
- Improvement of financial information (new financial reporting rules and centralised risk management system).

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The AFR/017 programme intends to contribute the implementation of PRAFIDE. It will also complement its intervention with activities targeting the sector national plans on the Decentralised Financial Systems (SFD) of the member states of the UEMOA.

- **Objectives :**
Consolidate the sector and improve control on risks of the sector in order to promote microfinance operations in the UEMOA zone.
- **Two specific objectives:**
 - ✓ **Specific objective 1:** Adapt and strengthen the microfinance sector supervision in the UEMOA zone under the new regulatory framework

Four expected results from specific aim 1

- the new legal framework will be promoted and distributed by the national Ministerial Supervisory Structures (SMS) and the Professional Associations (AP/SFD);

- the legislation is applied and enables the microfinance sector to healthier through effective supervision and control;
 - standardisation and improved quality of financial information (new financial reporting rules and central risk management unit);
 - microfinance statistics will be regularly available and published.
- ✓ **Specific objective:** Improve the SFDs in the production and control of financial information

Four expected results

- management information systems (MIS) suited to the new financial reporting rules and BCEAO standards will be identified and tested;
- internal control of the SFDs will be improved through the diffusion of appropriate methodologies;
- external audits will be carried out in accordance with the standards of the control authorities;
- microfinance shall be organised in sectors and shall be self-regulated through the AP/SFD.

The operations linked to objectives 1 and 2 are being carried out by the BCEAO's Decentralised Financial Systems Division (DSFD) and the Programme Management Unit established by Lux-Development respectively.

- **Consistency with the PA/SNMF**
The strategy for the AFR/017 programme is to best integrate itself into the existing interventions in the UEMOA zone. It will complement them and create the maximum synergies. In accordance with the Paris Declaration, the programme will coordinate its actions with those set forth by the national Action Plans and National Microfinance Strategies (PA/SNMF).
- **Beneficiaries**
 - **Ministerial Supervisory Structures (SMS)** will provide more effective supervision of the microfinance sector in the UEMOA zone;
 - **Decentralised Financial Systems (SFD)**, by allowing them to access specialised support in management information systems, internal controls and external audits;
 - **Professional Associations (AP/SFD)**, with the goal to make them recognised and legitimate representatives of the profession which can contribute to the regulation of the sector alongside the control and supervisory authorities;
 - **Service providers:** the programme shall depend strongly on the intermediate level ("meso") actors at national, regional or international levels (financial reporting experts, microfinance experts, suppliers of IT solutions, etc.), to ensure optimal implementation of the new regulations.
- **Intervention approaches**
 - Designing methods and tools;
 - Advising and training of actors;
 - Monitoring, capacity strengthening and assistance;
 - Capitalized experiences and approaches, publication of lessons learned.
- **Total budget**
€21.4 million - 14 billion CFA francs