AN ASSESSMENT OF THE LEGAL, REGULATORY, AND INSTITUTIONAL ENVIRONMENT OF THE MICROFINANCE SECTOR IN MALI

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I. Executive Summary

The study on the legal, regulatory and institutional framework for microfinance institutions in Mali was conducted with the support of USAID and based on a sample of cooperative (mutualiste) and non-cooperative microfinance institutions (MFIs), which permitted the both the identification of a certain number of constraints which handicap the growth of the microfinance sector and also a range of proposals to improve this situation.

The vast majority of MFIs encountered recognize that the Law 94-040 of August 15, 1994 (PARMEC[1]) has had a large benefit that has permitted their evolution in a legal framework and reduced the anarchy that formerly characterized the sector. However, because of the complexity in the application of the PARMEC law, and the rapid expansion in the number of MFIs in Mali, problems have become apparent in the process of elaboration of legal texts which require some details, accompanying documents and in sum the revision of certain underlying arrangements of the law and the its texts of application (decrees, circulars, and instructions from the BCEAO).

The Legal and Regulatory Framework

General Observations

The constraints identified are:

- The legal framework put in place has a greater emphasis on the respect for the law than for the real needs of the growth of the microfinance sector. In effect, the managers of MFIs spend almost half of their time engaged in respecting regulations.
- The legal framework does not specify the role of commercial banks concerning financial intermediation with MFIs, although their deposits are completely placed in the banks.
- The concentration of power that the law gives to the Boards of Directors provokes abuses against the system (e.g., haphazard distribution of credits, sometimes in their own favor, embezzlement, etc.)
- The law does not limit the number of terms of elected officials, which leads some Directors who know the functioning of the system to profit indefinitely
- The principle of voluntarism on the part of elected officials who must repay loans is bypassed through improper behavior. Some Directors demand payment of non-inconsiderable sums in the name of repayment of loans to which other expenses are added. All these problems are in contradiction to the concept of voluntarism.
- The texts of the law in their application pose in certain cases problems of interpretation

Specific Observations

- The actual level of the usury rate and its non-flexibility makes it difficult to attain financial stability and sustainability of MFIs
- The current ratio of loans to deposits creates anxiety on the part of non-cooperative MFIs

[1] PARMEC - Support project to MFIs registered under the Cooperative law (Projét d'Appui aux Réseau Mutuel d'Epargne et crédit).

- The absence of a professional code and the lack of indispensable ethics gives rise to prejudicial errors

- The legal agreement framework has a number of insufficiencies, which include:
  - The absence of fiscal incentives contained in article 30 of the law which exonerate taxes on cooperative MFIs
  - The legal agreement framework does not confer legal status to non-cooperative MFIs
  - The transitory character of the legal agreement framework and imprecision of the number and conditions of renewal endanger the system and make more difficult the projections for the medium term
  - The recent imposition of the Tax on Financial Transactions (TAF) which has a negative impact on non-cooperative MFIs in the refinancing of their operations

Institutional Framework

The problems revealed included:

- The institutions established to support and supervise the microfinance sector (CAS/SFD, microfinance unit at BCEAO) expend more energy to ensure the respect for the laws (usury rate, prudential ratios, etc.) than on the needs stemming from the growth of the microfinance sector
- The delay in delivery of legal agreements and in particular those dealing with legal recognition (applications for legal recognition since 1998 are still pending) constitute a dangerous factor because these MFIs are currently operating illegally
- The institutions established to support and supervise the microfinance sector suffer from a lack of effectiveness and financings even though their needs are theoretically covered by the national microfinance action plan

The lack of effectiveness on the part of personnel of the CAS/SFD and the microfinance unit at the BCEAO do not allow them to ensure the needs of the MFI sector are met.

The CAS/SFD very realistically, intends to extend its coverage of all MFIs on a gradual basis. In this current phase, the ambition of the CAS/SFD is to cover not less than 30% of needs pertaining to control, while waiting for it to become better equipped.

For the CAS/SFD and the microfinance unit at BCEAO, the managers' work at the limit of their capacity, which is more a question of quantity than quality.

At the microfinance unit at the BCEAO, the manager who is responsible for MFIs is alone and at the same time assistant to the Director of Credit. He shares his time between microfinance sector and the management of the other credit services.

- The difficulties encountered by projects in their steps to obtain recognition as an association or NGO constitute a discouraging factor.
- The proliferation of unlicensed MFIs in the microfinance sector

- He lack of collaboration between the Minister of Home Affairs and the Ministry of Finance concerning MFIs

Recommendations:

- Allow the law to confer non-cooperative MFIs legal status and allow them the same fiscal incentives of those enjoyed by the cooperative MFIs. This will respond to the need that MFIs who do not wish to evolve into cooperatives find a place under the law without any restrictions
- Proceed with revision of the law regarding the power of elected officials to protect the management of MFIs
- Liberalize the usury rate to better reflect the market realities
- Clarify the ratio concerning the risk of lending to one individual member which cannot be greater than 10% of total deposits
- Reinforce and make more dynamic the internal control systems of MFIs
- Reform and reinforce Board Credit Committees of MFIs
- Reinforce training and information for members of Boards of Directors
- Create a professional code for MFIs
- Strengthen the relations between banks and MFIs
- Make an inventory of unlicensed MFIs with the objective of their integration into the formal system
- Reinforce the collaboration between the Ministry of Economy and Finance (CAS/SFD) and the Ministry Home Affairs to facilitate the approval of legal agreements or recognition of MFIs
- Exonerate the non-cooperative MFIs from the Tax on Financial Transactions (TAF) for their refinancing operations
- Reinforce the support institutions for the microfinance sector (CAS/SFD and microfinance unit of the BCEAO) to allow the efficient conduct of their mission
- Establish an inter-ministerial committee comprising the Ministry of Finance, Home Affairs, Justice, BCEAO, APIM/Mali and donors to follow the growth of the microfinance sector
- Reinforce the support from donors for APIM/Mali to allow it to play a key role in the consolidation and growth of the microfinance sector
- Plan to establish a partnership between USAID and BCEAO in a framework to better share their experiences in microfinance and assist the growth of the sector

II. Legal and Regulatory Framework

General Observations regarding the Law No. 94-040 of August 15, 1994

Taken as a whole, the MFIs visited recognize that the existence of the law No. 94-040 (PARMEC law) has permitted a reduction in the anarchy of the microfinance sector.

Only the managers of the Nyesigiso Network did not express reservations about the texts of the law. On the other hand, the majority of MFIs interviewed underscored the fact that certain aspects of the law and its application merited a revision.

During the meeting with Nyesigiso, their managers insisted on the necessity of more rigorous application of the law and reinforcement of the powers of the enforcing agency (CAS/SFD) to suppress the increasing incidence of loan delinquencies. They sought to put in place certain provisions relative to the designation of a provisional administration (articles 69, 70, 71, and 72 of the law) when the situation demands, in order to protect the savings of the population.

Specific Observations on the law and its texts of application (decrees, circulars and instructions of the Central Bank)

This concerns the following points:

1. The exercise of power by members of the Board of Directors

The article 8 of the decree No. 94-302/P-RM of September 20, 1994, gives without reservation all powers to members of Boards of Directors. Certain managers of MFIs have noted the abuses committed by some elected officials in the exercise of the functions pointing out that they are part of management, more precisely in the distribution of credit.

In this case, these Board members have attempted to hold meetings without the necessary quorum present (sometimes with only two members present) or to distribute credit to their friends or even to themselves. These people rely on an electorate sensitive to credits or to other facilities. In some cases some managers have quit their positions because of these abuses.

In the face of these sorts of errors, there is no text of the law that authorizes the management of MFIs (salaried technicians) to take measures that will protect their structures from these abuses.

On wishes, therefore, a certain re-balancing of powers of elected officials by the law.

These problems uncovered are real (actual examples by Kafo Jiginew and Nyesigiso) but the solutions recommended by salaried technicians require a certain number of observations.

First, Board members are the true owners of these structures and a manager cannot be substituted for a statutory body. In the cooperative systems, there exist the various powers (general assemblies, Board of Directors) and counterbalancing powers (surveillance committees). To secure the management of an MFI, a member of the surveillance committee cannot become a Director, in order to discharge his function properly.

There is no doubt that in the majority of cases, Directors are prepared to exercise their responsibilities without regard to the bad faith of certain Directors among them.

Management teams, more competent in technical aspects on their side, sometimes are tempted to overstep the limits of their responsibilities.

In these situations, it is only the Ministry of Finance, on the basis of recommendations of the CAS/SFD, which can effect decisions in these matters. However the Ministry is far removed from local MFIs.

Two solutions can be envisaged or arranged: the first consists of reinforcing and adding dynamism to surveillance committees as a balancing power; the second, to reinforce the Credit Committees with technical expertise. Without doubt, the movement Desjardins has inspired us by recognizing these problems at an early stage of their existence and has eliminated Credit Committees by placing these tasks with a credit agent under the vigilant supervision of the surveillance committee.

Taking into account these experiences, CANEF explained that a great deal of their reluctance to transform into a cooperative was the fear of these incidents with elected officials.

2. Prudential Ratios

   a. Ratio of loans to deposits (article 50 of decree)

This article stipulates that for the risk assets of the entire institution, at the exclusion of risk assets covered by resources made available and covered by donors, cannot exceed twice the deposits of the entire membership.

This limitation provokes uneasiness among the majority of cooperative and non-cooperative MFIs. The ratio loans/deposits is based upon the amount of savings, and therefore MFIs that mobilize little or no savings are penalized. These MFIs such as GGLS, Faso Jigi, Jigiyaso, Piyelli, CANEF and CVECA Niono have placed a greater accent on the danger of the systematic application of this ratio. Their arguments include:

- The access to credit is the central element for the retention of clients to different systems
- The financial viability of these MFIs depend on a sufficient volume of credit with acceptable recovery rates
- The nature of target client groups in MFIs oriented to the promotion of women

When confronted with this issue, the CAS/SFD and the microfinance unit at the BCEAO have indicated that the loans/deposits ratio is concerned for the moment with only cooperative MFIs.

With respect to the non-cooperative MFIs, their performance will be evaluated in light of internal ratios that they will propose.

To move towards the establishment of these ratios for the CVECA and other solidarity credit organizations, two methods have been favored in the solution proposed: one concerning the level of capital funds; and the other concerning the level of effort of recovery of bad loans.

For solidarity credit organizations, the ratios proposed do not refer to deposits. It will be better to find a global solution to this issue.

b. Risk Assets to One Individual Member (article 53 decree)

This article stipulates that "one institution cannot take on one individual member an amount exceeding 10% of deposits, excluding risks associated and taken by donor funds." In certain cases, there exist problems of interpretation of the application texts. In the case of Kafo Jiginew, the CAS/SFD considered a credit accorded to a single village bank as a loan given to a single member. The managers of the network underlined the fact that this ratio does not concern only individual clients.

This question has not been clarified by either the CAS/SFD or by the microfinance unit of the BCEAO.

The networks of Kafo Jiginew and Nyesigiso maintain that the prudential ratios do not pose insurmountable problems for them.

Nevertheless, the managers of Kafo indicated that the inconvenience of placing too much emphasis on deposits. In the case of agricultural economies, as is found in Mali where production is tied to seasonal climatic changes, emphasis on the criteria of deposits presents certain constraints. In effect, the volume of deposit collected fluctuates considerably in relation to the season, which they are unable to control or influence.

Other MFI networks operating in rural areas noted this issue of seasonal fluctuation of deposits.

3. Procedures for obtaining Legal Agreement or Recognition

Many MFIs complained about the slowness of the procedures to obtain a legal agreement or recognition although they are not impeded in the course of their normal activities. Otherwise, at the level of the Minister of Home Affairs, the MFI projects that wish to become an association or NGO are confronted with the problem of receiving their recognition. This difficulty is centered on the interpretation made of credit activities, while an association must have a goal of non-profit.

If there had been a means of collaboration between the Ministry of Home Affairs and the unit of Ministry of Finance, this problem would not have persevered.

Elsewhere, the MFIs noted the problem of prior legal agreements for village banks. The law 94-404 stipulates that each village bank must have a legal agreement prior to its operation. For those affiliated with a federation, this coverage should be sufficient according to supporters of this idea.

It must also be noted that the legal agreement gives the village bank a legal status. To accomplish this, it will be better to demand for village banks a sufficient time to regularize their legal situation once they are established (6 months maximum delay, for example).

The fact that village banks may be affiliated with a federation does not exempt them from having an agreement that can be legally profitable.

On this subject, the microfinance unit of the BCEAO estimates that when a village bank is affiliated with a federation, the village bank can request simple recognition.

The true difficulty lies in the provision of the numerous identity papers such as Birth Certificates, etc. Each year, for various reasons, directors may change, and it is therefore necessary to renew all identity papers. If the CAS/SFD were to strictly observe the text in this matter, the situation would become insupportable.

Otherwise, one can remark that in the texts only one type of legal status is available for village banks, unions or federations. However, the law requires that each structure obtain its legal agreement in order to function. This supposes that each entity has its own internal statutes. It may be necessary to envisage a legal status adapted to each structure.

4. Usury Rate

If there exists an issue with the PARMEC law that emerges most frequently, it is the lack of flexibility of the usury rate that determines the interest rate that MFIs can charge their clients for credit products, and its impact on the sustainability of the microfinance operations.

However, the basis of the usury rate was first applied to the banking system and it is fixed with reference to the discount rate of the Central Bank (it cannot exceed two times the discount rate). Unfortunately, since the devaluation of the CFA franc this discount rate has been lowered to the point where two times the discount rate has no more sense for commercial banks than for MFIs. The situation has evolved such that the usury rate for banks is now 18% and 27% for MFIs.

Article 13 of the law states that “The Board of Directors (of the MFIs) shall fix an interest rate within the limit fixed by the usury law.” This report will explore the prevailing situation in cooperative and non-cooperative MFIs with their point of view on this question.

Save the Children

GGLS applies an interest rate of 25% plus a 2% fee; Faso Jigi applies a 25% interest rate plus a 1%. In their financial projections for 2000-2002, GGLS assumes that it will apply an interest rate of between 25 – 27%.

While the usury rate of 27% does not pose a major constraint for the two institutions, it is also noted that a usury rate of 27% is “tight.” Therefore in terms of their business plans, these two MFIs estimate a rate of between 26 to 27%.

It is also useful to note that the lowering of their interest rates to 25% actually applied by these two MFIs is due primarily to competitive pressures with two NGOs who operate in the same zones (Kolodiéba and Bougouni). These NGOs, in order to become established in these zones, apply a reduced interest rate of between 10 and 12%. Happily the situation is in the process of being normalized because of the lack of financial resources, and these practices will disappear.

GGLS and Faso Jigi strongly recommend the increase in the usury rate to 30% based upon the following points:

- Their experience on the ground has increased with competition, and hence the regulation of the interest rates must necessarily operate as a function of the realities of each institution
- The basis philosophy of each MFI differs from one institution to another. For example, those MFIs who do not wish to mobilize savings will not have the same strategy as other MFIs
- Taking into account the objective of financial equilibrium is indispensable. With certain interest rates it will be difficult to achieve sustainability. Only those projects benefiting from subsidies or lines of credit will be able to pursue their activities
- The necessity of taking into account the target client group. Certain networks whose target groups are poor women have a limited capacity to generate savings.

These two institutions recognize however that the rates are not the only factors to take into account. Other factors, such as management of expenses, mobilization of internal and external financial resources at favorable conditions, the costs of financial intermediation, the distribution of good credits, sustainability, etc, are also important for the development of the MFIs.

These MFIs are also aware of the fact that decision-makers need to have a good basis for the increase in the usury rate before any decision is made.

Network Kafo Jiginew

The network Kafo Jiginew applies generally a monthly interest rate of 2% yielding 24% per annum. From the point of view of the managers, the usury rate does not represent a handicap to the development of the network.

However it appears that this MFI must confront a problem with their overall respect of this norm, especially for short-term credits with a monthly interest rate of 3%, yielding a yearly rate of 36%, which is greater than the usury rate. The General Assembly of April 13, 2000 retained a rate of 2.5% per month for short-term credits, yielding an effective annual rate of 30%. However these credits with their short-term duration do not have a great impact on the overall loan portfolio.

This phenomenon nevertheless, the problem of interest rates exists even for large networks that mobilize significant amounts of savings.

Network Nyesigiso

The managers of this network declared that the usury rate did not present an actual constraint to management. The rate that the network applies is lower than the usury rate in spite of changes made. From their point of view, the difficulty is due largely in the rate displayed and the respect of the regulatory texts by the other savings and credit MFIs.

CANEF

CANEF is favorable to the increase of the usury rate to 30%. Their argument is based on the cost of resources and their cost of intermediation (especially the combination of credit with training and education services).

CVECA/ON

The usury rate does not represent a major constraint for their MFI that applies a rate of between 20 and 25% according to each village bank.

The rate paid on deposits varies between 5 and 10% and village banks which collect deposits at 5% charge 20% on loans, while those that pay 10% charge 25%.

The estimates of the managers met are that a differential of 15% would be sufficient to provide 66% of operational self-sufficiency according to the income structure of 1999.

CAS/SFD – Microfinance Unit BCEAO

Concerning the usury rate, the microfinance unit at the BCEAO as well as the CAS/SFD are in favor of maintaining the principle because there is always the possibility that the rate can be modified by the Council of Ministers of the West Africa Monetary Union (UEMOA) which meets quarterly, or if economic conditions require. The reasons advanced for fixing the usury rate by the BCEAO as well as the CAS/SFD are based on three principal themes:

- The weak rate of inflation as opposed to Latin America, for example
- The lack of transparency in financial markets
- The need to avoid abuses

Finally, for these two institutions it is preferable to concentrate on improvements to the high costs of MFIs' operational costs, rather than the usury rate.

The Legal Agreement Framework (Convention Cadre)

The legal agreement framework (convention cadre) is an integral part of the law (articles 5 and 6). Article 5 specifies that "institutions or organizations not constituted in the form mutualiste or cooperative and have as their objective the mobilization of savings and / or granting credit and not considered as institutions mutualiste or cooperative for savings and credit.

To exercise their activities, these structures are regulated under article 6 of the banking law, under arrangements specified by the Ministry of Finance."

These last points make up the subject of the legal agreement framework.(convention cadre).

Non-cooperative MFIs regulated by the convention cadre are certainly less homogenous than the cooperative MFIs and their mission is not the mobilization of savings prior to granting credit. They estimate nevertheless that certain aspects of the convention cadre penalize them. This idea is based on the visits made to certain MFIs and based on the following arguments:

- The absence of legal standing (personnalité juridique); recognition does not confer legal status
- The MFIs are obliged to hide one part of their activities from the Ministry of Home Affairs in order to gain recognition
- The length of the convention cadre is for a maximum length of five years, which can be renewed by methods which are not specified (article 18 of the convention cadre)
- There is a lack of fiscal incentives: articles 30 and 31 are explicit in granting networks of cooperatives exoneration from all taxes direct or indirect, and any other tax which may be applied to operations of mobilizing savings or distributing credit. These cooperative MFIs are also exempt from taxes on income derived from savings or interest payments on loans.
- On the other hand, the convention cadre is mute on the question for exoneration of non-cooperative structures. These non-cooperatives may operate in the same areas as cooperative MFIs and may have developed a substantial volume of operations.

In addition, in the refinancing operations of MFIs, the commercial banks such as BNDA (National Bank for Agriculture Development) and BIM withhold 15% of these financial operations in the name of the Tax on Financial Transactions (TAF) for the national treasury.

This tax (TAF) was introduced during the new fiscal reforms instituted in 1998 and replaced another tax (TPS) which was not applied to MFIs. Very few MFIs are informed about this new tax and how its application may have an effect on their financial viability.

It should be noted that only non-cooperative MFIs are subject to this tax on their refinancing operations. This situation poses problems in terms of financial equilibrium as well as the sustainability of microfinance operations.

It was apparent during the course of the mission that certain non-cooperative MFIs do not wish to transform into cooperative structures but would rather prefer to wait until an appropriate legal status can be established for them.

III. Institutional Framework

MFIs in Mali benefit at the same time from the assistance of the CAS/SFD (Ministry of Finance), the microfinance unit of the BCEAO, and APIM/Mali (the Professional Association of Microfinance Institutions in Mali).

The CAS/SFD

Created in 1994, the unit to support microfinance institutions has as its mission the correct application of the regulatory framework for MFIs under the leadership of the Ministry of Finance.

The texts relevant to the creation of the CAS/SFD include:

- The order No. 99-08/P-RM of April 1, 1999 which specified the creation of the CAS/SFD
- The decree No. 99-107/P-RM of May 12, 1999 which specified the organization and the operational methods of the Unit
- The decree No. 99-176/P-RM of June 28, 1999 that determined the internal organizational framework of the Unit.

After its debut the CAS/SFD was restructured in 1999, to better adapt to the evolving context of the growing microfinance sector in Mali.

The CAS/SFD is managed by an experienced senior civil servant (former National Director of Economic Affairs in the Ministry of Finance) who is assisted by three senior deputies, whose titles are Inspectors of Economic Services. These positions are equally require the incumbents to carry out their responsibilities in the economic service of the nation, those that include the microfinance sector.

The CAS/SFD is composed of three offices:

- Office of surveillance and control. This office, managed by an inspector of economic services, is concerned with financial analysis, control and surveillance.
- Office of legal agreements, recognition and special studies. This office is responsible for the examination and processing of requests for legal agreements or recognition.
- Office of management and accounting. This office is not currently staffed, but will be responsible for internal administrative and accounting matters.

Since its creation, the CAS/SFD has made an important contribution, relative to its small number of personnel, the tools at its disposal and the quality of work demanded by the microfinance sector. With respect to its goals, the work accomplished is not sufficient in respect to expectations, not least of which concerns the requests for legal agreements and recognition. Thus far, with respect to legal agreements, 32 agreements have been accorded in 1997 and 48 in 1998. With respect to recognition, 16 requests are actually being examined with a good chance of there approval.

On-site inspection missions for village banks have been made in the regions of Sikasso, Ségou, Mopti, and Kayes and in certain urban banks in Bamako. These visits have revealed a number of weaknesses: application of interest rates higher than allowed by the usury rate; imprudent credit policies; bad loans improperly classified in conformity with established regulations and not properly provisioned against; poor quality of financial reporting.

The MFIs visited had the following observations on the CAS/SFD:

- There is a need to reinforce the professional capacities of the CAS/SFD, especially with regard to the complexities of the microfinance sector
- The accent made on the repressive aspects of its role, to the detriment of other actions such as research, training and diffusion of economic information
- The proliferation of unlicensed MFIs in competition with formal MFIs
- The lack of taking into account the conclusions of internal control reports

Nevertheless the MFIs appreciated the information missions regarding regulation made by the CAS/SFD in the field. Faced with an increasing number of roles and responsibilities, the CAS/SFD has need to reinforce its effectiveness and to equip it with sufficient premises.

According to the microfinance action plan, the CAS/SFD was supposed to have 13 agents and six senior agents. Actually today it has 4 agents.

At the same time, the unit has expressed its needs to utilize a budget for the training and recruitment of contract personnel or consultants in the context of surveillance of the microfinance sector. With prudential ratios applicable to CVECA and the solidarity credit system being prepared, the CAS/SFD will multiply its control functions.

Microfinance Unit at the BCEAO

The microfinance unit at the BCEAO is a unit of the central bank charged with the surveillance of MFIs concerning the application of the regulatory framework. With numerous ratios being prepared which will complement existing ones, the tasks of this unit will increase necessitating the reinforcement of its effectiveness that is actually composed of a single manager.

USAID could effectively contribute to the training of its additional personnel and necessary transport means in the framework of control and training in synergy with the CAS/SFD.

APIM/MALI (Professional Association of Microfinance Institutions)

APIM/Mali was created in May 12, 1999 at Sélingué to play an identical role as the Malian Professional Association of Banks. Created in the form of an association, APIM will pursue the following objectives:

- Represent the microfinance institutions before government and monetary authorities
- Defend the material and moral interests of the profession

- Define and ensure respect for healthy competition between members of the profession and ensure respect of its regulations by the members
- Promote the role of savings and credit as an economic motor for economic expansion and development of the country
- Play an active role in the setting in place of professional training for its members

A request has been published to recruit a Permanent Secretary and a locale has been found to house the Secretariat.

The actual constraints of APIM/Mali are essentially budgetary since it cannot have at its disposition currently the financial resources to put in place and commence the Permanent Secretary (salaries, equipment, rent, etc).

The expectations on the side of the World Bank concerning financing the commencement of activities have not yet been realized. The GTZ has accepted to finance a portion of the necessary equipment. Thanks to membership dues APIM/Mali has found office space and the minimum equipment necessary to commence operations for the Permanent Secretariat.

The Permanent Secretariat will play an important role in collaboration between MFI members, and with the State and other development partners. In the area of training and that of research, APIM will also play an essential role in improvements to the legal framework. and the overall health of the microfinance sector.

IV. Support Furnished by the Donor Community and Possible Areas of USAID Intervention

It is comforting to note that the donors met: CIDA (Canada), USAID, AFD, UNDP, the World Bank and IFAD have together thought that the current study provides the occasion to examine the putting in place of the PARMEC law and its application texts. The Canadian representative estimates that, for their part, that the study is welcome and that a periodic evaluation of the law is still planned with the objective of a revision of certain provisions if necessary.

Support Furnished by Donors in the Framework of the National Microfinance Action Plan

The Government of Mali has adopted a strategy and an action plan for the microfinance sector with the support of the its development partners. The actual situation announced by the national consultative group in February 1999 demonstrated that the anticipated contributions would total in excess of 31,391 million CFA. These funds were destined for refinancing MFI operations, as well as the creation, consolidation, and extension of microfinance institutions, and training and other forms of institutional support.

Thus, the contributions announced by the different donors were as follows:

CFA Franc MM

Activity	***Donor***	***Amount***
Refinancing		
	KFW	12,857
	IFAD	1,080
	IFC	600
	CIDA	430
	Netherlands	1,470
	Mali Government	1,500
	Total	**17,937**
Extension & Consolidation		
	AFD	2,731
	KFW	320
	IFAD	1,990
	CIDA	3,017
	Netherlands	420
	GTZ	424
	USAID	2,560
	Total	**11,874**

Since these announcements were made in 1999, there has not been sufficient time to make judgments. All the same, it has not been possible to pinpoint the level of execution of the commitments made.

The meetings held with the MFIs and other support institutions have yielded the following priority needs that may be targeted by USAID.

Profiles of Selected Donor Interventions

CIDA (Canadian Assistance)

Given its own rich history in microfinance (the Desjardins and various Anglophone cooperative savings and credit movements dating from the 19th century), support for microfinance has become a key priority for CIDA. Indeed Canadian technical assistance was instrumental in the drafting of the PARMEC legislation in the late 1980's (and the source of many contentious issues currently being discussed, notably its bias towards cooperative MFIs at the expense of non-cooperative microfinance structures). The PARMEC initiative has been transformed into a second phase project to support the application and implementation of the existing laws and regulations governing microfinance in the UEMOA region. This project, budgeted at C$ 7.7 million (C$ 5.2 million in Canadian funding and C$ 2.7 million in counterpart funding from the BCEAO and respective Ministries of Finance in the region) and implemented over a 4-year period 1996-2000. Canadian contributions will include such things as budgetary support and training for units of the central bank and finance ministries, equipment purchase, technical assistance, etc. CIDA assistance in Mali under this project has resulted in the purchase of a 4wd vehicle for the CAS/SFD, as well as purchase of some computer equipment, offsets for in-country supervision missions, etc. Exact amounts of support in Mali were not available since the project is managed on a regional basis from Dakar.

In addition to this regional project, CIDA has provided support to the Nyesigiso network since 1995. The project is now entering its second phase (four years, until 2002) with a total budget of C$ 7 million. This support includes salary support for network managers, long- and short-term Canadian technical assistance, training for network managers, and equipment purchases. The project also envisaged significant geographic expansion; however audits and other investigations have revealed serious cases of financial mismanagement, and project management has decided to consolidate existing village bank network before undertaking additional geographic expansion to the Mopti region, for example.

International Fund for Agricultural Development (IFAD)

IFAD has been active in Mali since the early 1980's although its involvement in microfinance is more recent. IFAD currently funds several projects with microfinance as its primary objective. The Ifenke project has a microfinance component of a larger poverty reduction effort, which includes health, water, literacy and agricultural initiatives. This project supports 13 village banks in the project area.

The Niafunké project is in the process of selecting an existing MFI network to implement this activity, which has a budget of CFA 480 million and is a partnership with GTZ and the United Nations Capital Development Fund. Likely MFIs to operate this scheme, which will entail the establishment of village banks in the Timbuktu region, include MFIs such as Nyesigiso and Kafo Jiginew. The implementing MFI will provide training and other forms of technical assistance to the emerging village banks.

A project to assist in diversification of revenue in the San region of southern Mali is another microfinance initiative supported by IFAD. Over a seven year period 48 village banks will receive training and other technical assistance from the MFI BEAGGES. In the three years of project operation to-date 10 village banks have been established and a functioning.

The final initiative of IFAD in the domain of microfinance is an ambitious undertaking named FODEESA (Fond de Development pour la band du Sahel), taking in four regions comprising the Sahelian zone of Mali. Under this project 20-30 village banks per region will be established and support through technical assistance. The project is currently functioning in two of the four regions (Segou and Couligoro).

GTZ

The German technical assistance GTZ has been quite active in support of the microfinance sector in Mali, supporting both several small networks and providing substantial assistance to the CAS/SFD. The recent 'Note Verbal' between the Government and GTZ that sets forth continued assistance for the sector over the next five-year period is important for USAID. Support for the CAS/SFD will continue, and the Germans have pledged to support the creation of a microfinance training center (possibly in conjunction with French support for a bankers' training facility). In the microfinance training center appraisal document the level of investment needed to operationalize the center was estimated at over CFA 700 million. The local GTZ project official working with the CAS/SFD indicated that they would welcome substantial participation by other donors on a cost-sharing basis for this initiative. USAID may well take a leading role in this project as well, since it corresponds to the overwhelming need of the sector for technical training at all levels of the microfinance system. Possible interventions by USAID in support of this venture may be to fund some of the 'soft' activities associated with the venture, such as developing training modules.

United Nations Capital Development Fund

UNCDF is part of the UNDP Special Unit for Microfinance (SUM) based in UNDP/NY. It is supporting several initiatives in microfinance in Mali, including a recently closed project in conjunction with the BNDA in the Gao and Tombouctou regions. The main emphasis of UNDP/Mali is support for local government decentralization, while UNCDF supports some projects in support of village banking (PAGTV-SG, GIE-GUINEDOU, ACODEP, PAPF). It is also a partner with GTZ and IFAD in the Niafunké project. Importantly for USAID, UNDP cannot provide support to the microfinance association in Mali APIM due to the 30% budget cutbacks experienced this year.

Needs for Specific Studies

To respond to proposals to modify specific articles of the law, some complementary studies would be useful:

- A study to examine in greater detail the usury rate with all the factors that influence the profitability and sustainability of MFIs
- A study on the financial interests by directors to limit mistakes before MFIs reach the stage of distributing dividends. It is difficult to take into account their situation, that is to ask elected officials to work with a minimum financial interest.

The Training Needs on the role of Elected Officials

Aside from flagrant abuses, the lack of training and information explains a large part of the weaknesses noted by certain elected officials. The financial performance of MFIs, however, risk being compromised if the situation is not addressed. In effect, the high level of non-performing loans in certain village banks which may reach 60% may impeach the credibility of the entire system. Training and sensitization of Credit Committees may permit them to be better equipped to play their role more effectively.

Working Capital Needs

A number of structures (GGLS, Faso Jigi, etc.) have underlined their needs in this area which are inadequately covered. Working capital needs were expressed by the MFIs visited. But it is difficult to evaluate these needs without a business plan.

Institutional Support Needs

CAS/SFD and BCEAO

Reinforcing their efficiency of the two structures, as underlined below, becomes indispensable, even with respect to their increased responsibilities as corollary, the necessity to support the training of their staff and agents.

In the case of the CAS/SFD, it has expressed its precise need for financial assistance to recruit on a contractual or consulting basis personnel to ensure regulatory control. Of the needs expressed, equally important are the financial interests (salaries) of its staff and agents.

In several meetings with the Coordinator of the CAS/SFD held by the local and international consultants, there was an expressed need to recruit at least two specialists in internal controls, both to review the internal control systems of MFIs (mostly non-existent) and to train audit staff and other MFI financial managers about the need for, and technical aspects of managing internal control systems. The widespread lack of internal control systems is a critical area of weakness for MFIs and contributes to the mismanagement and even fraud that sometimes occurs in these institutions. USAID intervention in this area by providing support for recruitment of CAS/SFD staff (or local consultants) in this area, preparation of training materials in these subjects and training of MFI financial management staff would greatly assist the sector to address this area of critical need.

The Coordinator of the CAS/SFD also expressed his desire to increase efforts of his unit to disseminate information relevant to the functioning of MFIs on a regular (quarterly) basis. This lack of positive support of the CAS/SFD (such as diffusion of information) for the microfinance sector was noted during the preparation of this report and during the workshop held on June 1-2, 2000 in Bamako to discuss these matters. USAID support in this area could take the form of hiring a local consultant to assist in the design and preparation of this quarterly newsletter.

USAID can position itself to address these expressed needs and center its support on actions which directly affect the growth of the microfinance sector by playing a catalytic role in research, training, diffusion of economic information, etc.

Apart from these specific actions, USAID can expand in a sensible manner the impact of its interventions in support of the microfinance sector.

ANNEXES

ANNEX 1

Terms of Reference

Legal, Regulatory and Institutional Framework Governing Microfinance Initiatives in Mali
Consultant – USAID\Mali Microserve Task Order No. OUT-PCE-I-811-96-90012-00

A Introduction

Within the framework of the Microfinance National Strategy (MNS) and Work Plan adopted by the GRM and its partners on the 25th of May 1998, the need for improving the capacity of Microfinance Institutions in Mali was emphasized. The thrust of the MNS for Mali is placed on poverty alleviation and calls for the application of durable approaches and increased access to financial and non-financial services by the marginalized groups, especially women. Among the major changes proposed for the microfinance sector are the following:

1. Create and develop durable institutions in the microfinance sector.
2. Develop innovative microfinance products and services.
3. Consolidate linkages between formal banks and microfinance institutions.
4. Enhance supervision and monitoring of the financial sector including that of microfinance.

The National Action Plan for the microfinance sector articulates six major themes around which concerted efforts of the GRM and partners are required including;

- Assured GRM commitment to improve the institutional capacity of the microfinance support center (CAS/SFD) established within the Ministry of Finance;
- Improve the legal framework to allow for sustainable growth and stability of the microfinance sector, and gradual phase-out of the Government's role as a technical player in the microfinance sector.
- Improved institutional capacities of the MFIs.
- Development of a secure and assured financing mechanisms for the MFIs.
- Training of MFI practitioners
- Increased geographic coverage and access to financial services by the marginalized groups.

Within this context USAID/Mali, consistent with policies of USAID Microenterprise Development Office (G/EG/MD), will support the GRM in the efforts to reform the microfinance sector. Major priorities of its support as specified under this Task Order (No. OUT – PCE- I-811-96-90012-00) for Mali focus on achieving two fundamental objectives:

1. Establish an enabling policy environment and deepening financial sector intermediation in the target market, and
2. Strengthen the ability of a select group of formal and informal financial intermediaries, professional associations and government agencies so that the financial services are extended to target borrower groups.

B. Legal, Regulatory and Institutional Framework of the MF sector in Mali. Summary

With the *'Projet d'appui à la reglementation sur les Mutuelle d'Epargne et Crédit"* (PARMEC) legislation, enacted in 1994, MFIs in Mali gained legal recognition for the first time. Under this law, the Ministry of Finance (MOF) is responsible for supervising MFIs recognized by this legislation. A support unit in the BCEAO, the *"Cellulle d'Appui et de Suivi des Systemes Mutualiste d'epargne et Crédit (CAS/SMEC),"* was established in 1996 to operationalize the legislation. On April 1st, 1999 CAS/SMEC was transformed to *"la Cellulle d'Appui et de Suivi des Systemes Financiers Décentralisés (CAS/SFD)."* The main responsibilities of the CAS/SFD are: to evaluate and approve applications for the establishment of MFIs; supervise MF institution operations; and disseminate information. The CAS/SFD also maintains a reliable data bank on microfinance activities. World Bank and GTZ resources have been provided to the MOF in support of this initiative.

C. Tasks:

The consultants are required to articulate for USAID/Mali SEG Team and the G/EG/MD the legal, regulatory and institutional issues affecting microfinance operations of both financial institutions and MFIs. On this basis the consultant is also required to prepare a legal, regulatory and institutional framework that would enhance MF sector growth and promote synergy between the financial and MF sectors.

The framework should include identified constraints, recommended actions, expected results and an estimation of necessary inputs by which future USAID/Mali innovations, initiatives and resources can be applied in a coherent manner to support and influence the policy reform, financial sector deepening, institutional strengthening, and extension of financial services to target borrower groups.

To do this the consultants will be required to conduct:

- An in-depth analysis of the existing PARMEC legal and regulatory framework governing microfinance operations of both financial institutions and MFIs.
- An institutional assessment of CAS/SFD, including a review of current donor assistance in order to identify gaps which USAID could fill with regard to technical assistance, training and analytical support.
- Facilitate a workshop to discuss the proposed legal, regulatory and institutional framework with the CAS/SFD and BCEAO, donors, and representative of financial and MF sectors in Mali.

All of the above will be accomplished through an intensive dialogue with the staff of CAS/SFD and BCEAO Mali office, donor representatives including GTZ and World Bank, members of the Microfinance Consultative Group and practitioners in the financial and MF sectors in Mali.

D. Expected Outputs:

The consultant/s are expected to produce a report in French or English (hard and electronic copies in Microsoft Word/Excel) that will include the following:

Phase 1: (April 3rd , - May 4th, 2000)

1. Review of the existing studies of the legal and regulatory environment for microfinance in Mali.
2. Detailed recommendations for changes in the legal and regulatory framework that will enable and encourage viable microfinance institutions and services. This comprehensive legal and regulatory framework proposed for the MF sector will include the aspects of licensing, registration and minimum capital requirements, the interest rate regime, loan classification and provisioning, accounting policies in respect to reporting repayment rates, arrears, rescheduling, portfolio quality and audit standards;
3. A comprehensive institutional development plan for CAS/SFD addressing the training needs for CAS/SFD personnel on legal and regulatory issues, monitoring and evaluation, development of an in-house monitoring and evaluation capacity, action plan to initiate field evaluations, and the introduction of a computerized monitoring information system; and development of formal, sustainable linkages between CAS/SFD, APIM, key ministries and other agencies involved in the implementation of the National MF Strategy.
4. A detailed strategic plan for putting into effect the recommended changes in the legal and regulatory framework including recommending the level of effort needed to do so.

E. Level of Effort and Timing

This consultancy is expected to take 24 consulting days (including reporting) beginning in April 3, 2000 to May 4, 2000. The work will be conducted in Mali in close collaboration with the SEG Team – USAID\Mali, Weidemann Associates Inc., CAS/SFD, BCEAO Mali and other donors. An international consultant L1 will work with a local consultant L2 on this assignment.

F. Personnel Requirements

The international consultant will be an economist with extensive experience (at international level) in policy analysis related to small and micro enterprise finance with a focus on interest rate policy, regulatory and supervision policy, developing, planning or drafting business development legislation and other areas of policy analysis relevant to microenterprise development.

- Extensive experience leading consulting teams.
- The local consultant will have extensive experience with the financial sector in the UEMOA region and must have conducted studies in the region in the field of financial sector reform.
- The two consultants will have experience in the microfinance or business development field.
- Experience advising governments, private commercial or private non-profit organizations at the board and senior management staff levels.

- Strong research and analytical skills.
- Strong interpersonal and interview skills.
- Fluent French and English

G. Period:

This consultancy is expected to take 24 days beginning in April 3, 2000 to May 4, 2000. The work will be conducted in Mali in close collaboration with the SEG Team – USAID\Mali, Weidemann Associates Inc., CAS/SFD, BCEAO Mali and other donors. The report will be produced and discussed in Mali before the consultants leave the country.

H. Requirements:

- An economist with extensive experience in policy analysis related to small and micro enterprises with a focus on interest rate policy, regulatory and supervision policy, developing, planning or drafting business development legislation and other areas of policy analysis relevant to microenterprise development.
- Extensive experience leading consulting teams.
- Experience in the microfinance or business development field preferably in the UMOA region
- Experience advising governments, private commercial or private non-profit organizations at the board and senior management staff levels.
- Strong research and analytical skills.
- Strong interpersonal and interview skills.
- Fluent French and English

Annex II
SUMMARY PRESENTATION OF SDF VISITS

KAFO JIGINEW NETWORK

Kafo Jiginew, which in Bambara means a federation of granaries, is a mutual financial savings and credit for populations in the south of Mali who do not have access to bank services

Its activities started in December 1987 through a regrouping of European NGOs and the Commission of the European Communities in the framework of the struggle against poverty in the south of Mali.

As of 12/31/1999, Kafo Jiginew had a total of 92 caisses, with 82, 898 stakeholders. Deposits were estimated at 3, 581 millions and credit at 4, 407 millions. Prudential ratios are respected.

SAVE THE CHILDREN:

Save the Children is an American NGO established in the region of Sikasso since 1987 with integrated health, education and microfinance programs. In the microfinance sector, Save the Children is working through Group Guaranteed Lending and Savings (GGLS) and Faso Jigi. The two structures operate in the sub-district of Kolondièba and in the district of Bougouni.

GGLS is a Solidarity group credit program that focuses on women. After having experienced a period of stagnation in terms of clientele, GGLS engaged in a consolidation phase before beginning an expansion period.

GGLS opted to change into a microfinance institution as an association. The constitutive general assembly of the association is scheduled to meet in May 2000 and the institution's launch is set for September 2000.

As of 12/31/99, GGLS had 3, 708 clients. It collected 3,317 million in deposits and distributed 119,240 million in credit.

Faso Jigi is a saving and credit mutual institution. The operator, Save the Children, for strategic reasons, decided to phase-out operations as of September 2000. Presently, Save the Children is working with Faso Jigi to create a new structure and develop a business plan.

The Faso Jigi managers have been strongly sensitized on the implications of the phase-out of operations.

As of 12/31/99, Faso Jigi had 4 caisses and 867 members. It mobilized 36,1 million in deposits and distributed about 80 millions.

NYESIGISO NETWORK

The network Nyesigiso started as a pilot project of Développement International des Jardins (DID) in 1990 in the Ségou region. The experience was positive, and it expanded its activities into the Bamako District and in Diré in the Tombouctou region. The savings mobilized are about 3,5 milliards of FCFA, the credit distributed is 3,5 milliards of FCFA.

The first phase ended in October 1998. Following a strong expansion during the first phase (just ended), Nyesigiso created the Union in August 1998. The current phase corresponds to a period of consolidation of gains. The decline in the delinquency rate is a priority. Nyesigiso is currently tackling some major challenges. These are the automation under a centralized structure and capacity building of human resources based on the network's size.

CVECA/ON NETWORK

The Cveca/ON network was established on August 1st, 1994. It set up village caisses that are aimed at rural populations (operators, women, youth, groups, etc.).

As of 12/31/99, the network had 49 caisses; 12 are in Macina, 25 in Kalari, and 12 in Kouroumari. There are 20, 446 members. The exposure is CFA 1, 007 millions. Deposits on hand are CFA 390 millions. The return rate is 69% and that of recovery is 98.33 %.

WORLD EDUCATION

World Education operates in microfinance through two institutions, Jigiyaso and Piyeli. Piyeli is not a mutual institution.

As of 12/31/1998, the network Jigiyaso had 17 caisses and 3,975 members. The savings mobilized was CFA 249 millions. The amount of the loans granted was CFA 78 millions; outstanding loans were CFA 77 millions.

The network's strengths lie in the Union and its work with other financial institutions and donors (Institutional Savings and Credit Program).

Its weaknesses are the limitations encountered for the mobilization of the deposits of clients (mainly women) who are economically weak.

USAID funding ended in 1999, and the network is looking for new funding.

Piyeli is a non-mutual institution. As of 12/31/98, it had 653 groups with a deposit exposure of CFA 101 millions and a credit exposure of CFA 228 millions and a reimbursement rate of 96.79%.

CANEF

Canef is a non-governmental organization (NGO) that is recognized by the government of Mali by the bill n° 0144/MAT-DNAT of February 21, 1992.

It aims at promoting women's and marginalized populations' economic and social development through participatory action research and nutrition, health, and economic education, credit and savings management and training.

As of 12/31/1998, it had a total of 446 groups, deposits equal to CFA 130 millions, and a credit exposure of CFA 730 millions, with a recovery rate of 100%.

Annex III
CONTACT LIST
People and Institutions Contacted

1. Monsieur Ousmane Youssouf Maiga :	Permanent Secretary at the Ministry of Economy and Finance
2. Monsieur Ousmane Traoré :	Director of Kondo Jigima MFI
3. Monsieur Bakary Traoré :	Director of CANEF MFI
4. Madame Niang Bintou Ka:	Microfinance advisor - Save The Children
5. Monsieur Adama Camara:	Director of Group Guarantee Lending Scheme – GGLS Save The Children
6. Monsieur Chet Aeschliman:	MIS advisor at World Education
7. Madame Kaba Soumaré :	Director of PIEYLI MFI
8. Monsieur Nouridine Sanogo :	AG Director of JIGIYASO BA MFI
9. Madame Van Hoorebeke:	Director General of NYESIGISO MFI
10. Monsieur Alou Sidibé :	Director General of Kafojiginew MFI
11. Monsieur Youssouf Coulibaly:	Central Bank of West African Union (BCEAO) agency in Bamako
12. Monsieur Youssouf Traoré:	Coordinator CAS/SFD – MFI supervision unit at the Ministry of Finance
13. Madame Sy Maïmouna Ba:	UNDP Bamako Mali
14. Madame Zamilatou Cissé :	Advisor at CIDA office Mali
15. Monsireur Aly Cissé :	Director of CVECA Niono MFI
16. Monsieur Roger Bloom :	SEG Team Leader – USAID Mali
17. Madame Hélène Ballo :	Microfinance Coordinator at USAID Mali
18. Roland Siebecke :	GTZ Advisor to the Ministry of Finance
19. Monsieur le Directeur adjoint	French Development Cooperation in Mali

Annex IV

National Seminar on Legal and Regulatory Reform for Microfinance Institutions in Mali

Organized by:

ASSOCIATION PROFESSIONELLE DES INSTITUTIONS DE MICROFINANCE (APIM)

JUNE 1-2, 2000

SPONSORED BY USAID/MALI

Weidemann Associates, Inc.

7 AUGUST 2000

Day 1 Seminar Agenda 6/01/2000

0800 -	0830	:	Arrival of participants
0830 -	0840	:	Presentation of weminar program by Mr. Ibrahim Bocar BA, Consultant
08 40 –	0900	:	Opening speech by APIM President
0900 -	0930	:	Coffee break
0930 -	1000	:	Presentation of study findings and recommendations by Mr. Ibrahim Bocar Ba.
1030 -	1230	:	Discussion on the report findings and recommendations in plenary session
1230 -	1300	:	Formation of work groups : Work Group 1– Legal and regulatory issues Work Group 2 – Institutional Framework Work Group 3 – Intermediation between Banks and MFIs.
1300 -	1430	:	Lunch Break
1430 -	1800	:	Group Work.
1800		:	End of day 1 program

Day 2 Seminar Agenda 6/02/2000

0830 - 1000 :		Plenary session
10.00 - 10 :15	:	Group Work to prepare plan of action for each Work Group
10 h 15- 10 h 30	:	Coffee Break.
10 h 30- 12 h 30	:	Group work Continued
12 h 30- 14 h 00	:	Lunch Break
14 h 00- 15 h 30	:	Plenary Session – Presentation and discussion of Work Plans from each Work Group.
15 h 30- 16 h 00:		Plenary session to present a summary plan of action on MFI legal/regulatory reform and strategies.
16 h 00	:	Closing of the seminar

INTRODUCTION

Because of the difficulties encountered by the Microfinance Institutions (MFIs) in Mali in the application of the PARMEC Law[2] (94-040 of August 15, 1994), USAID commissioned a study and a seminar on the Legal, Regulatory and Institutional frameworks of microfinance in Mali through Weidemann Associates International. In preparation for this study, which had the full support of the Professional association of Microfinance Institutions – Mali (APIM-Mali), consultants visited with representatives from numerous MFIs, government and financial authorities and donor organizations in order to find out first hand the strengths and weaknesses of the current framework.

Once the study was written, it was circulated to interested organizations as a basis for discussion during the National Seminar on Legal and Regulatory Reform for Microfinance Institutions in Mali, held June 1st and 2nd 2000. The goal of this seminar is to permit the opening of a wide debate on the Legal, Regulatory and Institutional frameworks by all partners in the sector:

- Cooperative and non-cooperative MFIs
- The Malian Government
- Donors
- Local banks, notably the BNDA and BDM (Malian Development Bank)

Global Objective

In the context of a participatory dialogue, the global objective of the seminar was to share and collect the points of view of the principal actors in the microfinance sector on the framework of microfinance in Mali and on the study prepared for USAID by Weidemann Associated International.

Anticipated Results

The anticipated results of the seminar were the following:

1. Ensure that the principal actors in the microfinance sector are well informed regarding the legal, regulatory and institutional framework
2. Establish a dialogue between the different actors in the sector (MFIs, government, banks, donors)
3. Outline a concrete action plan for improving the legal, regulatory and institutional frameworks

[2] PARMEC - Support Project to MFIs registered under the Cooperative law (Projét d'Appui aux Réseau Mutuel d'Epargne et crédit)

Seminar Methodology

During the seminar the principal actors in the microfiancne sector in Mali expressed their opinions on the results of the Study on the Legal, Regulatory and Institutional Frameworks for Microfinance Institutions in Mali. The seminar proceeded in the following manner:

- Presentation and discussion of the Study on Legal, Regulatory and Institutional Framework on Microfinance Institutions in Mali
- Discussions in three working groups:
    - Working Group 1: Legal and Regulatory Framework
    - Working Group 2: Institutional Framework
    - Working Group 3: Relations between Banks and MFIs
- Presentation of the three working groups
- Development of a plan of action
- Summary and closure

OPENING CEREMONY

In the presence of Mr. Roger Bloom of USAID and Mr. Youssef Traore, Coordinator of the CAS/SFD, the opening session was highlighted by the welcoming speech by the President of APIM, Mr. Ousmane Traore. Among the 56 participants at the seminar were the General Directors of MFI members, donor representatives, consultants, and representatives of MFI Boards of Directors listed in Annex 1.

Opening Speech by Mr. Ousmane Traore, President of APIM

> *"I would like to thank you first of all for your presence at the opening of this seminar on the legal, regulatory and institutional frameworks for the microfinance institutions of Mali.*
>
> *I would like to use this occasion also to thank USAID who has kindly financed this seminar. Their gesture gives us comfort because the organization of this seminar is the first event of its kind put on by our young professional association since its creation in May, 1999. Finally, I would like to thank our sister institutions from the interior of the country and the efforts they have made to participate at this event.*
>
> *The choice of subject of this seminar is not by chance. It concerns the entire microfinance system. In fostering debate on the legal, regulatory and institutional environment we do not intend to escape from regulation, but rather to make it more solid and sustainable.*
>
> *The Professional Association of Microfinance Institutions (APIM) will soon complete its first year of existence. During this time we have capitalized on our human, technical and financial resources, and above all on the experience of the Microfinance Roundtable during its three years of existence from 1996 to 1999. Since its creation, our young Professional association has served 17 MFIs, of which 8 are cooperatives and 9 non-*

cooperatives. We hope to see this number to rise to include the 28 MFIs that were eligible for membership at the Association meeting in May, 1999 in Sélingué and the nearly 50 institutions operating in the microfinance sector that attended the Microfinance Roundtable.

Our young professional association has become a member of the Consultative National Group on Microfinance and an official counterpart of the political and monetary authorities on questions pertaining to microfinance in Mali. This is the occasion to thank the government and the Central Bank for the confidence they have placed in us.

Since its creation, the association and its partners have helped the promotion and development of microfinance in Mali. To them we also offer the expression of our recognition and our thanks.

Our professional association has for a vision the professionalization and the development of microfinance in Mali. It has for its vocation, among others, the elaboration and application of a code of conduct for the profession, its representation and the defense of interests of its members.

I know that I share with you the idea that the defense of interests of MFIs includes the application and respect of regulations of microfinance. This is why, in different meetings initiated by the Microfinance Roundtable and now by APIM, a prominent place has been given for the distribution of information and raising of awareness regarding the application and respect for the Law 94-040 of August 15, 1994 which specifies the regulation of cooperative institutions or credit and savings cooperatives. Since its entry into force in 1996, the Law has contributed to the qualitative and quantitative evolution of existing and developing MFI networks. To translate this idea into practice, our Professional association has retained as our primary eligibility criteria that institutions must have previously obtained legal registration or recognition in conformity with Articles 13 and 46 of the Law 94-040.

This is also the occasion to thank the political and monetary authorities of the country to have expressed their concerns with regards to the regulation of the microfinance sector. This concern is shared today by the entire group of actors in the sector, which is why the managers of MFIs have begun to think individually and collectively about the adapting regulations in order to promote strong growth, both at the level of grassroots institutions and of members, and also in the volume of savings and credit.

Our professional association, with the financial support and technical assistance of USAID and Weidemann Associates, has undertaken to organize this current seminar on the legal, regulatory and institutional frameworks for MFIs. This seminar comes at a moment when the permanent secretariat of our professional association is becoming operational thanks to the material support of the Project "Promotion for Microfinance Institutions." This is the occasion to thank the Malian government and GTZ for their gesture that is a significant contribution to operationalizing APIM's action plan for microfinance for the period 1999-2002.

In closing, I wish to thank, in the name of APIM and in my personal name, the generous donors who have contributed to the organization and funding of this seminar. I appeal to the managers of the networks of microfinance institutions to greater application and respect for the legal and regulatory texts related to the microfinance sector."

PLENARY SESSION

After this opening speech, the following people were elected to officiate over the seminar:

President	Mr. Ousmane Traore, President of APIM/Mali
1st Vice President	Mr. Bakary Traore, Vice President of APIM/Mali
2nd Vice President	Mr. Aly Cisse, CVECA/ON
Reporters	Messrs. Ibrahim Bocar Ba and Massiré Kone

The plenary session was opened after approval of the agenda for the seminar (see Annex 2).

DISCUSSIONS ON THE STUDY OF THE LEGAL, REGULATORY AND INSTITUTIONAL FRAMEWORK FOR MICROFINANCE INSTITUTIONS IN MALI

Mr. Ibrahim Bocar Ba, Consultant, assisted by Mr. Sandio Samassekou, Consultant, presented the Study on the Legal, Regulatory and Institutional Framework for Microfinance Institutions in Mali. Upon completion of the presentation, the participants expressed their satisfaction with the quality of the report and discussed the following issues:

Problems of Supervision

Certain participants felt that the report did not sufficiently touch on this important question and proposed that the supervision of the MFIs be situated with the Ministry of Rural Affairs rather than the Ministry of Finance. They proposed that MFIs could fall under a newly created Monitoring Committee at the Ministry of Rural Affairs.

In reply the Consultants noted that since the sector involves money and credit, it falls under the exclusive authority was the Ministry of Finance. On the other hand, there was nothing to prevent the Ministry of Rural Finance to become a member of a MFI Monitoring Committee.

Concentration of Power in the Hands of Elected Cooperative Officials

Certain participants expressed the concern that legal texts give too much power to elected cooperative officials. This allows them to engage in abuses, notably in the distribution of credit. MFI managing directors often helplessly watch the decline of their institutions because elected officials have given bad loans. A more equitable sharing of powers between elected officials and the technical team was proposed.

Another proposal to make elected officials more responsible was that the credit committee be penalized for any bad loans it makes. The supporters of this idea estimated that the directors were not the owners of the institutions, contrary to what was contained in the report. They are co-owners of the cooperative with a moral responsibility to safeguard its assets. Other participants suggested that credit committees be strengthened by the provision of technical assistance, but the decision to grant loans should rest with the elected cooperatives leadership. Participants confirmed that Monitoring Committees worked poorly as a tool for power balancing.

Prudential Ratios

Some participants stated that the prudential ratios constituted a major constraint to the attaining of self-sufficiency and sustainability.

With respect to the prudential risk ratio limitations for loans to a single member, some participants thought that there was a degree of confusion regarding loans issued to groups, such as village banks. They suggested that more clarity is needed in the regulatory texts.

Procedures to Obtain a Legal Registration or Recognition

The participants noted the slowness of the procedures for obtaining registration or recognition and the large amount of documentation required. As an example, it was noted that each village bank had between 10 and12 members, so if it were necessary for an institution such as Kafo Jiginew with 105 village banks to have copies the identity card, birth certificate, etc. for each of its members, the number of documents required to register a bank would become too burdensome. If one adds to this renewals and changes of membership, the situation quickly becomes untenable.

Tax on Financial Transactions (TAF)

A representative of the National Tax Administration asked in what way non-cooperatives MFIs were impacted by the TAF. The Consultants explained that this tax was being applied to non-cooperative for the refinancing of their credit operations with commercial banks. They hoped that the benefit accorded to cooperative MFIs (who are exempt from this tax) could be extended to non-cooperative MFIs as well.

Strengthening of the Credit Committees

Several participants insisted on the necessity of strengthening of cooperative credit committees through training and technical assistance in order to avoid aggravating the situation where the percentage of past due loans sometimes attains 60%.

Transfer of Power from Village Banks to Unions

Some participants suggested a transfer of power from village banks to unions. Their reasoning was based on the irresponsible attitude of certain village banks in the distribution of credit, while the unions had to take into account the financial equilibrium of the entire system.

Usury Rate

Many participants were concerned about the issue of the usury rate set by the BCEAO. According to them it is necessary to calculate this rate as a function of the real cost of capital, not the bank prime rate. An MFI that borrows funds at 2% and lends at 18%, is an entirely different situation from one that pays 10% and lends at 24%. Clearly, it was argued, it is necessary to take into account the average costs of funds in order to calculate the usury rate.

A number of participants hoped that a more thorough investigation of the usury rate and its impact on the financial equilibrium of MFIs would be undertaken.

General Comments on the Report

Participants asked if neighboring countries had developed the same conclusions with respect to the legal, regulatory and institutional frameworks.

Participants also questioned if it was feasible for an action plan be developed during the seminar because the BCEAO was not in attendance and the PARMEC law concerns all the member states of the West African Monetary Union, not just Mali. The Consultants replied that the goal of the seminar was to provoke a dialogue among all actors in the microfinance sector and to enlarge the dialogue begun by APIM/Mali who is already searching for solutions to the constraints which handicap the growth of MFIs.

With respect to the absence of the BCEAO, their participation was not thought to be necessary at this stage. The conclusions and recommendations of the seminar will be communicated to the BCEAO. It can assist in the process and make a contribution in the search for solutions to the problems discussed. It is worth remembering that the BCEAO has already envisioned periodic updates to the PARMEC law, and when it feels changes are necessary, it announces them by circulating additional instructions, clarifications, etc.

Observations by the Representative of the CAS/SFD

After thanking and congratulating the consultants, the Coordinator of the CAS/SFD set forth the following points:

- Who can say that the Law makes more emphasis on control and not on the needs of the growth of the microfinance sector without asking first what the needs for the growth of the sector are?

- MFIs spend much time discussing regulatory issues, but very little time respecting them. There were no MFIs that respected regulations even 60% of the time.

- It is said that the legal framework does not specify the role of commercial banks, however there is a role for banks laid out in the Banking Law.

- The concentration of powers in the hands of elected officials applies only to MFIs in the cooperative system.

- Even if the usury rate were liberalized, it is not certain that all the problems of MFIs would be resolved. (However Mr. Traore recognized that the rates charged should be high enough to cover operational expenses.)

- It was not correct to say that tax exemption for MFIs was not foreseen in the agreement. The CAS/SFD proposed it.

In response, the consultants thanked the Coordinator of the CAS/SFD for his frank opinions, and added the following:

- All the points raised in the study were taken from the MFIs visited and their managers were present here at the seminar
- Concerning the complaints that the Law placed more of an emphasis on control than on the need for growth in the sector, the Consultants also visited the CAS/SFD (which stands for the Unit of Support and Monitoring of MFIs). To the consultants, the term Support brought to mind such things as training, diffusion of economic information, and practical research, which are needed for the growth of the sector, but which are not offered by CAS/SFD
- The consultants also pointed out that in documents submitted to the Minister of Finance, the CAS/SFD proposed that non-cooperative MFIs should be granted the same tax exemption as cooperative MFIs.
- The President of APIM read a letter sent by the CAS/SFD to all MFIs regarding their non-compliance in furnishing financial information and threatening severe sanctions.

ESTABLISHMENT OF WORKING GROUPS

After the plenary session, working groups were established as follows:

Working Group 1: Legal and Regulatory Framework

President: Mme. Van Hoorbeke Oumou Sidibe

This group analyzed legal and regulatory problems and the conclusions and recommendations contained in the report. It also ensured that other legal and regulatory problems aside from those contained in the report were examined.

Expected Outcomes:

1. Identify the major constraints to the operations of MFIs in the legal and regulatory framework for example, usury rate, prudential ratios, procedures for obtaining legal registrations or recognition, etc.

2. Specify clarifications and modifications to the Law, decrees, circulars, etc. that will encourage the growth of MFIs

Issues discussed:

1. Does the Usury Rate impede the MFIs from attaining profitability and sustainability? If yes, how?

2. What is the method that you use to calculate interest rates?

3. Do prudential ratios penalize the MFIs? In what manner? What do you think of the ratio of loans to deposits?

4. Have you noted delays in the granting of a legal registration or recognition? What are your proposals to resolve these problems?

Working Group 2: Institutional Framework

President: Mr. Hamidou Traore

This group analyzed all the problems related to the institutional framework for MFIs.

Expected Results:

1. Proposals to improve the legal registration process.

2. Proposals to clarify the powers of leadership and management, with the goal to improve the efficiency of MFIs.

3. Proposals to contribute to the strengthening of the role of the CAS/SFD and the Microfinance Unit of the BCEAO with the goal of increased efficiency of their role of support and supervision of MFIs.

4. Proposals regarding the support of MFIs by donors.

Issues discussed:

1. What are the strengths and weaknesses of the current legal registration system?

2. How can the legal registration be better adapted to the realities on the ground?

3. Does there exist the abuse of power by elected officials of the village banks? What can be done about this?

4. In your opinion, what are the underlying reasons for these abuses and their impact on profitability and sustainability? How can this problem be resolved?

5. What is your opinion of the services delivered by the CAS/SFD to the microfinance sector?

6. Does the CAS/SFD place more emphasis on regulation than on support for MFIs? What is your opinion of this situation?

7. What measures do you recommend to strengthen the support and monitoring of MFIs by the CAS/SFD?

8. What should be the role of the Microfinance Unit of the BCEAO in the growth of microfinance in Mali?

9. What are your proposals to strengthen the Microfinance Unit of the BCEAO?

10. What is your point of view on support for the CAS/SFD and the Microfinance Unit of the BCEAO by donors?

Working Group 3: Linkages between Banks and MFIs

President: Mr. Aliou Sidibe

This group analyzed relations between the banking system and the microfinance sector.

Expected Results:

1. Proposals on ways and means to strengthen the collaboration between the banks and MFIs, including improving their access to refinancing.

2. Proposals for a larger role for the commercial banks in microfinance.

Issues discussed:

1. What are the principal impediments to the access to refinancing for MFIs?

2. What are the ways and means to strengthen the collaboration between banks and MFIs?

3. How can a true partnership between banks and MFIs be established? What areas of collaboration can be mutually profitable?

4. What are the implications of the Tax on Financial Transactions (TAF) on your operations? Do you apply this tax?

CONCLUSIONS, RECOMMENDATIONS AND PROPOSED ACTIVITIES

Working Group 1: Legal and Regulatory Framework

<u>Conclusions and Recommendations</u>:

The working group presented the following findings and recommendations:

- The need for strengthening the support function of the CAS/SFD and the Microfinance Unit of the BCEAO to enhance the growth of the microfinance sector

- The need for the CAS/SFD to play a role of facilitating contact with donors, creating a loan guarantee fund, a training center and expanding existing training opportunities

- The need for the Microfinance Unit of the BCEAO to increase its training of staff of MFIs

- The need for more precision the articles dealing with the powers of elected cooperative officials and also penalties relating to the improper distribution of loans

- The need for improving the balance of power in cooperatives through the establishment of monitoring committees

- The need for better control of expenses incurred by cooperative leadership

- The need to reduce the time necessary for the recognition of non-cooperative MFIs to three (3) months once their request has been accepted and declared in good order

- Commission a study to analyze the issue of the usury rate in greater detail

- Commission a study to analyze prudential ratios once the new ratios being prepared are available

- The need to establish a professional code of conduct for MFIs to be elaborated by APIM/Mali

- The need to reduce in the amount of documentation and the number of elected officials required for legal registration of a non-cooperative

<u>Proposed Activities</u>:

Activities	***Timing***	***Indicator***	***Responsibility***	***Resources***
Prepare a study on the impact of the usury rate and the effective interest rates applied by MFIs	August, 2000	Document prepared	APIM	External, Financial
Establish a MFI loan guarantee fund	4th Quarter 2000	Existence of a fund	APIM CAS/SFD	Internal, External, Financial
To assist in the creation of a training center	4th Quarter 2000	Center operational	APIM CAS/SFD	Internal, External, Financial
Training of MFI staff by BCEAO	4th Quarter 2000	Training sessions completed	APIM BCEAO	Internal, External, Financial
Establish a collaboration mechanism between BCEAO, CAS/SFD and APIM	September 2000	Bi-annual meetings occur	APIM CAS/SFD BCEAO	Internal
Review and revise the powers of cooperative leadership	2001	Instructions available	APIM CAS/SFD	Internal, External, Financial
Clarify the responsibilities and penalties for elected officials in credit management	1st Quarter 2001	Penalties for improper credit management put in place	CAS/SFD	Internal
Define the roles and responsibilities of different representative bodies	2001	Instructions available	APIM CAS/SFD	Internal
Clarify the mechanisms by which power can be transferred from village banks to unions	2001	Definition of indicators and ratios	APIM CAS/SFD	Internal
Negotiate the same length of time to obtain recognition for non-coop MFIs as for cooperatives	4th Quarter 2000	Length of time to obtain recognition at three months	APIM CAS/SFD	Internal
Elaborate a code of professional conduct	1st Quarter 2001	Code of conduct established	APIM	Internal, External, Financial
Train MFIs on new prudential ratios	4th Quarter 2000	New ratios adopted and applied by MFI	APIM CAS/SFD	Internal
Reduce the amount of documentation needed for legal registration	1st Quarter 2001	No. of ID pieces reduced	CAS/SFD	Internal

Working Group 2: Institutional Framework

Conclusions:

With respect to the framework for legal registrations, the working group noted that:

The strong points of the legal registration framework were:
- The authorization for MFIs to operate under a regulatory framework
- Flexibility

The weak points were:
- Time limitations
- Procedures for renewal not clearly defined
- Lack of clauses on tax exemption

Recommendations:

- APIM/Mali should take the initiative to obtain clarification from CAS/SFD and the BCEAO of the texts regarding recognition and legal registration
- Enlarge tax exemption to include all MFIs
- Specify the procedures to renew legal registration

On the question of improper behavior noted in the work of certain elected officials, the working group thought that these abuses were due primarily to the lack of training and awareness. The working group also thought that the improper behavior was due to the lack of application of penalties foreseen by the law and internal regulations.
- Strengthen the training and information received by the elected officials in cooperative MFIs
- Strictly apply and respect the current texts of the law

The working group noted that the services of the CAS/SFD placed more of an accent on the monitoring and control than on technical support.
- The working group recommended that the CAS/SFD place an increased emphasis on training and information diffusion

The working group also recommended that the steps to strengthen the support function of the CAS/SFD in favor of MFIs would include:
- To develop greater expertise in microfinance
- To develop training modules

The working group recommended that the role of the Microfinance Unit of the BCEAO should be to train MFIs on the preparation of financial statements and technical aspects of the law and prudential ratios. In order to do so, it is necessary for the Microfinance Unit of the BCEAO to strengthen its capacity to intervene with MFIs.

For the support of the donors for the CAS/SFD and the Microfinance Unit of the BCEAO, the working group recommended:

- Better coordination of the actions undertaken by donors
- Better support of APIM/Mali
- Strengthening of assistance for the Microfinance Unit of the BCEAO
- Strengthening of the CAS/SFD so that it can continue to train MFIs in the application of the law
- To take into account the real aspirations of MFIs in the assistance of the CAS/SFD and the Microfinance Unit of the BCEAO

Proposed Activities:

Activities	***Timing***	***Indicator***	***Responsibility***	***Resources***
Review and revise statutes regarding legal registration	August, 2000	Text prepared and diffused	CAS/SFD	Internal, External,
Review and revise statutes regarding renewal of legal registration	3 rd Quarter 2000	Text prepared and diffused	CAS/SFD	Internal
Solicit tax exoneration for non-coop MFIs	3 rd Quarter 2000	Exoneration given	CAS/SFD	Internal
Create and strengthen training capacity within CAS/SFD	3 rd Quarter 2000	Training section created	CAS/SFD	Internal, External, Financial
Develop training modules for CAS/SFD	3 rd Quarter 2000	Modules prepared	CAS/SFD	Internal External, Financial
Organize training sessions by CAS/SFD	3 rd Quarter 2000	Training sessions completed	CAS/SFD	Internal External, Financial

Working Group 3 – Linkages between Banks and MFIs

Conclusions:

The working group presented the following points and recommendations:

1. The principal impediments to the access of refinancing facilities by MFIs are:
   - The lack of knowledge of microfinance by the banks
   - The lack of recognition by the banks of the importance of microfinance
   - The preconditions for access to banking services (an important one being the legal status of the MFIs)
   - Perception of MFIs as competitors
   - Preconceived notions of the microfinance system by the banking system
   - Cumbersome administrative procedures in the banks

- Burdensome lending conditions of the banks
- The lack of banking facilities in remote locations

<u>Recommendations</u>:

- Establish an effective strategy for communicating with the banking sector by MFIs
- Organize periodic meetings between the microfinance sector and the banks at the director level
- Establish a consultation mechanism between the banks and the MFIs
- More favorable treatment of MFIs loan requests by the banks
- Recommendation of growing MFI clients to banks
- Establishment loan guarantees for MFIs

In conclusion the working group recommended the creation of a mechanism for collaboration and consultation between the microfinance sector and the banks with the objective of enhancing confidence and cooperation.

The operational weaknesses of the microfinance sector which inhibit collaboration with banks include:

- Lack of respect for rules and normal management practices
- Lack of professionalism of some MFI managers
- Lack of regular production of financial statements and activity reports
- Poor quality of loan portfolios
- Lack of business plans
- Lack of clear objectives of institutional and financial sustainability
- Lack of legal status

The working group recommended improvement to the MIS systems of MFIs:

- Develop well-designed management information systems
- Regular auditing of all accounts
- Creation of viable business plans for all MFIs
- Articulation of objectives to attain institutional and financial sustainability
- Deposits of legal reserves with the banks

The working group noted that it was possible to establish a true partnership with MFIs and banks and the areas of mutually profitable collaboration were:

- Internships for MFI staff in banks
- Internships for bank staff with MFIs
- Creation of a joint training center
- Seminars, conferences, etc.

The working group also recommended the increase in exchanges between MFIs and the banking sector.

The members of the working group were aware of the Tax on Financial Transactions (TAF) and they were applying it. The working group noted that the effects of the TAF on their operations were a threat to the sustainability and the financial viability of the MFIs.

The working group recommends the exoneration of all MFIs from the TAF.

Proposed Activities:

Activities	***Timing***	***Indicator***	***Responsibility***	***Resources***
Develop a communication strategy between banks & MFIs	September, 2000	Document prepared	APIM	Internal, External, Financial
Establish a consultative mechanism banks - MFIs	September, 2000	Registration reached	APIM	Internal
Establish a sponsorship mechanism for refinancing	October, 2000	Mechanism in place	APIM	Internal, External, Financial
Establish a guarantee mechanism for inter-MFI refinancing	December, 2000	Mechanism in place	APIM	Internal, External, Financial
Investigate availability of lines of credit from banks	October, 2000	Document prepared	APIM	Internal
Reach agreement on loan classification system	August, 2000	Agreement reached	APIM BCEAO	Internal
Undertake needs assessment for MIS	4th Quarter 2000	Report prepared	APIM	Internal, External, Financial
Develop and field test model MIS system	1st Quarter 2001	System developed	APIM	Internal, External, Financial
Lobby for the elimination of TAF for MFIs	June, 2000	TAF eliminated for MFIs	APIM	Internal

CLOSING REMARKS BY MR. OUSEMAN TRAORE, PRESIDENT APIM/MALI

"In the course of this seminar we have discussed in a thorough manner the items set forth in the agenda on the legal, regulatory and institutional framework of MFIs in Mali. These discussions have allowed us to point out the strengths and weaknesses, and in particular the constraints, which slow the growth of the microfinance sector. The objective of these discussions was to propose relevant solutions in the context of the three working groups, which were:

- *The legal and regulatory framework*
- *The institutional framework*
- *Linkages between banks and MFIs*

The prevailing spirit of these debates has been the necessity for respect of the regulations in place. The solutions proposed have no other goal than to create more favorable conditions for the application of the PARMEC law and its accompanying texts.

The conclusions and recommendations stemming from this seminar have permitted us to elaborate a plan of action that will take into account all the ideas and concerns expressed by the participants.

I can assure you that APIM will do all it can to implement this action plan. It is worth noting that the attainment of the objectives agreed upon will depend in large part on the support of our partners such as the government, donors, and the institutions charged with the support and monitoring of the sector such as the CAS/SFD and the Central Bank.

I would like to use this occasion once again to thank USAID, whose technical and financial assistance has permitted the smooth operation of this seminar. My thanks also go to the MFIs participating here as well as to their elected officials, to donors and other NGOs present (UNDP, AFD, GTZ, ACDI, Freedom from Hunger, World Education, Save the Children) and to the commercial banks. I thank in particular the management of CAS/SFD who clarified for the participants several important points relative to regulatory problems. I wish the managers of the MFIs from the countryside a safe journey to their homes.

I thank you, and declare closed this seminar on the legal, regulatory and institutional framework for microfinance."

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1 and 2 JUNE 2000

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