

INSECURITY IN THE SAHEL

Microfinance institutions under pressure



BACKGROUND

The countries of the Sahel, like Burkina Faso, Mali and Niger, already beset by political instability and food insecurity, now also have a health crisis to contend with.

Tensions in the region, already high, are being exacerbated by the terrible effects of the Coronavirus pandemic.

In countries affected by insecurity in the aftermath of the downfall of the Gaddafi regime in 2011 government budgets are under pressure. There is a difficult - if not impossible - trade off to be made between the competing demands of the needs to increase security, to improve health and to feed the population. Competition for resources between the health crisis and the fight against hunger is only going to grow. And development agencies have problems aligning their support and coordinating its provision.

Insecurity is widespread in many parts of these countries. Small arms proliferate, organised crime is again on the increase, and radical armed groups with Islamist connections are continuing to launch murderous attacks on the locals - leading to a mass exodus from the region.

Most experts agree that to bring an end to the insecurity in the Sahel it is necessary to resolve the crisis in Libya but also to reduce the social inequality which prevails in Mali, Burkina Faso and Niger. Put simply, local development goes hand in hand with stability.

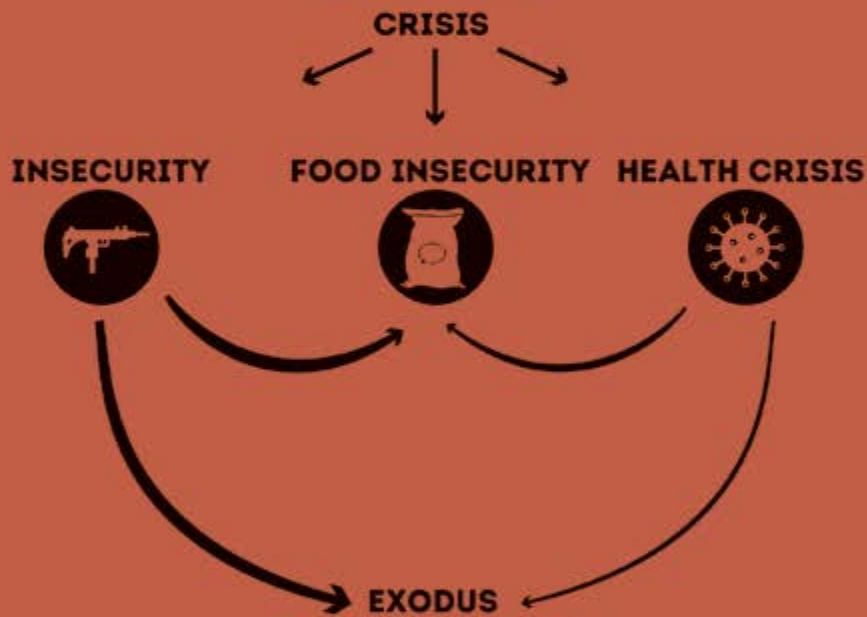
- | A state of emergency was declared in Burkina Faso at the beginning of 2019. It covers 14 provinces in the following areas: Est, Sahel, Boucle du Mouhoun, Centre-Est, Nord and Hauts-Bassins.
- | In Niger, the worst-affected regions are Diffa and Tillabéri.

- | In Mali, the north was hit first but now insecurity has spread to the central area (Mopti and Ségou) and to the area close to the border with Mauritania (Nara).

SOS Faim works with a number of microfinance institutions (MFIs) in these three countries. As a result of the insecurity all are under pressure.

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THE SAHEL FACING CRISES



THE VIEW FROM THE GROUND

A survey was made of the effects of the insecurity on MFIs, and of their ability to respond. Respondents were nine MFIs in the three countries, together with professional associations representing MFIs in Mali and Niger.

COMMON EFFECTS OF INSECURITY

| MFIs have closed offices and laid off staff

Several MFIs reported that the insecurity has forced them to cease operating in some areas.

In Mali, it is SORO YIRIWASO that has been most affected, withdrawing from three areas of the Mopti region. As a result, lending there is 77% down and the number of clients has fallen by 60%.

Meanwhile KONDO JIGIMA has closed four branches (in Douentza, Bankass, Djenné and Sofara) and cut back generally in the Mopti region and in Nara.

In Burkina Faso, business at the Association for the Promotion of Inclusive Finance (APFI) is down 40% as the entire population of 32 villages has been displaced. It has lost loans to the value of 300 million CFA francs and experienced a 60% reduction in savings volume. It should be noted that in Burkina Faso 54% of internally displaced persons are women.

Still in Burkina Faso, the Baoré Savings and Credit Union (UBTEC) has closed three of its 25 branches following attacks by terrorists (in Koumbri,

Sima and Pobé Mengao) while the Ouahigouya branch was robbed of 32 million CFA francs.

In Niger, GOMNI-KA, a savings and credit MFI based in Tillabéri, has called a halt to all promotional activities, to debt monitoring and collection, and to prospecting for new clients - in the light of a ban on travelling by motorbike, imposed as a result of the unrest, which hampers the economic activities of its clients and restricts the movement of its staff.

In Burkina Faso
54%
of internally
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CONSEQUENCES OF INSECURITY

<p>MALI</p> <p>SORO YIRIWASO</p> <p>Withdrawal from three areas</p>	<p>LENDING</p> <p>-77%</p> <p>NUMBER OF CLIENTS</p> <p>-60%</p>
<p>MALI</p> <p>KONDO JIGIMA</p> <p>Closure of four branches</p>	<p>BIG CUTBACKS</p>
<p>BURKINA FASO</p> <p>32 VILLAGES ABANDONED</p> <p>APFI</p> <p>Loss of business</p>	<p>LOANS LOST</p> <p>-300 MILLIONS CFA</p> <p>DEPOSITS DOWN</p> <p>-60%</p>
<p>BURKINA FASO</p> <p>ATTACKS BY TERRORISTS</p> <p>UBTEC</p> <p>Closure of three branches</p>	<p>AGENCY ROBBED</p>
<p>NIGER</p> <p>BAN ON MOTORCYCLING</p> <p>GOMNI-KA</p> <p>Suspension of activities</p>	<p>PROMOTIONAL ACTIVITIES</p> <p>AWARENESS-RAISING</p> <p>CREDIT MONITORING AND RECOVERY</p> <p>PROSPECTING FOR NEW CLIENTS</p>

| Insecurity makes operational management difficult

Staff can no longer use motorbikes to attend meetings in the field, as this is becoming ever more risky, and find some situations very demotivating. Some MFIs even report that they are

finding it difficult to work out what is really happening and have lost confidence in their clients: "We no longer know who's who".

| Fewer people go to markets

Markets have become less popular as terrorist attacks have become more frequent. The majority of MFI clients are women, and many have lost income - whether it usually comes from the sale of fresh produce like onions, tomatoes, potatoes and peppers, or from the business of cattle fattening.

The COVID-19 pandemic has made things worse. Specifically, economic activity has slowed right down, meaning that MFIs are making fewer loans, seeing wholesale withdrawal of savings, and taking almost no new deposits. It is typically the informal sector which is most affected by the anti-COVID measures in place, with the quality of MFI portfolios suffering as a result.

For example, SORO YIRIWASO (Mali) reports that at 31 May 2020 deposits were down by 22% and withdrawals up by 25% as a result of COVID.

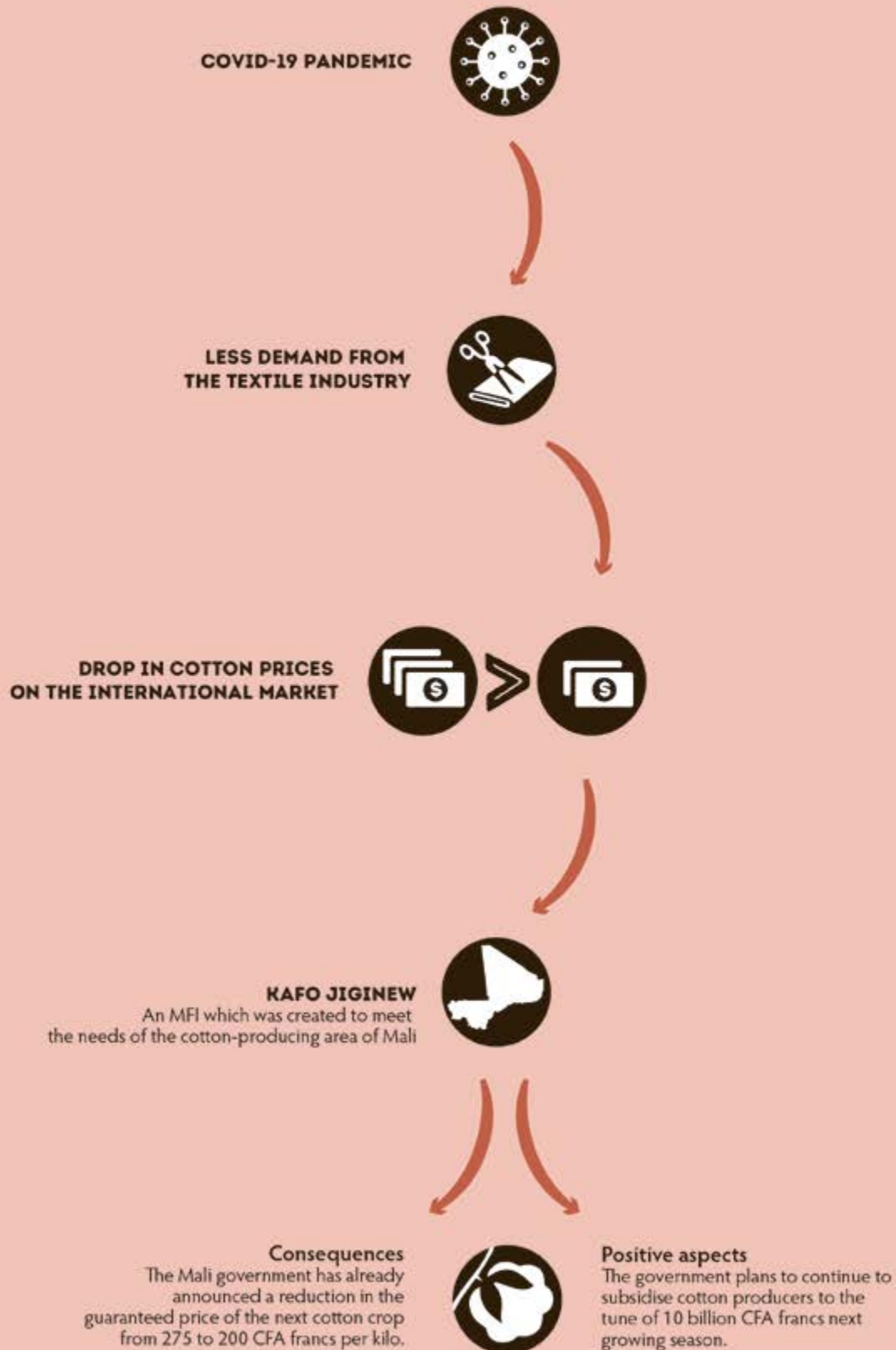
KAFO JIGINEW, an MFI which was created to meet the needs of the cotton-producing area of Mali, is also likely to be badly affected in 2020.

COVID will probably result in less demand from the textile industry, at a time when cotton prices on the international market continue to fall. The Mali government has already announced a reduction in the guaranteed price of the next cotton crop from 275 to 200 CFA francs per kilo. Despite the unfavourable global outlook, the government plans to continue to subsidise cotton producers to the tune of 10 billion CFA francs next growing season.

In Niger, anti-COVID measures (lockdown, curfew, border closures) have caused a sharp fall in economic activity, with some businesses no longer trading at all. MFIs are experiencing bad debts (incurred by clients whose financial position has deteriorated), taking fewer deposits, making fewer loans, and seeing massive withdrawals. Some have cash-flow problems as a result.

The Mali government has already announced a reduction in the guaranteed price of the next cotton crop.

THE KAFO JIGINEW CASE

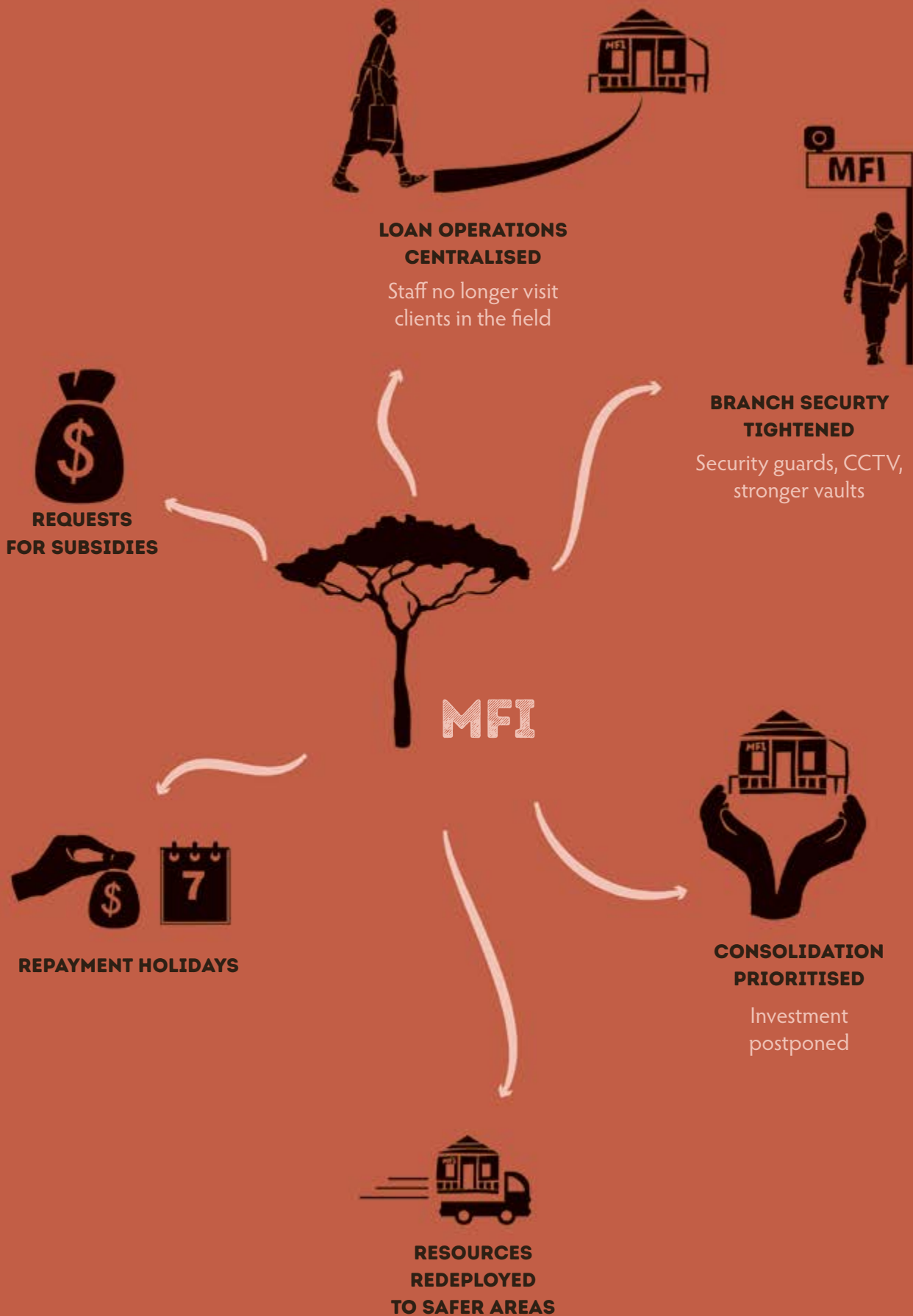


THE MFI RESPONSE: DEFENSIVE MEASURES AND NEW INITIATIVES

- | MFIs have made changes to the way they work, centralising their loan operations. Staff no longer visit clients in the field, unless they are located close to a town. Now it is the clients who have to travel to MFI branches, which have limited opening hours.
- | Branch security has been tightened, by the introduction of security guards and CCTV, and by strengthening vaults. This incurs additional cost, at a time when turnover and profitability are already down.
- | MFI strategy is prioritising consolidation over growth. Many planned investments are being put on hold, whilst strategic plans are being reviewed and modified to take account of the prevailing insecurity. Some MFIs that have been particularly badly hit are implementing recovery plans. For example, APFI has cut its distribution network dramatically, from 100 locations to 45.
- | Some MFIs are redeploying resources to areas which are less affected by insecurity.
- | In the light of announcement 008-04-2020 by the Central Bank of West African States (BCEAO)¹, some MFIs are allowing clients to delay repayments for a period of three months (renewable once but no more), free of any interest, charges or penalties.
- | In Niger, the professional association APSFD has asked the government to provide a balancing subsidy to mitigate the impact of COVID on the microfinance sector, and to provide a line of credit at preferential rates in order to allow MFIs to relaunch their activities. Initiatives planned

Securing branches implies an increase in costs, when activity and profitability are already clearly affected.

¹ This announcement describes a number of measures being taken to help MFIs affected by the COVID-19 pandemic.



INITIATIVES PLANNED

- | Several MFIs report that they intend to make use of new technology, especially digital finance. This makes transactions more secure as there is no need to transport cash. It is thus a very good way of getting aid and emergency funds to the most troubled areas. In Mali, KONDO JIGIMA plans to collaborate with FinTech² Sama Money on money transfer and mobile payments using WhatsApp. In Burkina Faso, MUFEDE is going to partner with YUP (part of the Société Générale group) and Orange Money.
- | Some are planning to put more emphasis on educating clients about financial matters, particularly in relation to the management of security risks.
- | Others are launching initiatives to identify and educate local facilitators who can help them operate in areas where insecurity prevails.



The use of digital finance technology can be a good way for MFIs to distribute emergency funds.

² A company which uses technology to improve financial systems.

CONCLUSION

There has been insecurity in several countries of the Sahel for almost 10 years. Opinion is divided on the extent to which this insecurity is structural. Some commentators are more optimistic than others.... But it is clear that the issue is both one of geopolitics and one of local development; there is a particular need to be able to offer a worthwhile future to the predominantly youthful population.

The feedback from the microfinance sector is worrying, and the COVID-19 pandemic is certainly not helping.

But the sector is also showing great resilience. Responses to the insecurity may be largely defensive, but a number of creative and innovative measures are also being taken to ensure that operations do continue in the areas which are most badly affected.

This issue of ZOOM MICROFINANCE was written by Marc Mees (Knowledge Management) with help from Christophe Brismé (Partner Support).

It is based on input from professional associations of MFIs in Mali and Niger and from 9 MFIs in Burkina Faso (ABF FADA, APFI, CEC-KANTCHARI, MUFEDE and UBTEC), in Mali (KAFO JIGINEW, KONDO JIGIMA and SORO YIRIWASO) and in Niger (GOMNI-KA).

Editor

Olivier Hauglustaine,
4 rue aux Laines,
B-1000 Bruxelles
(Belgium)

Coordinator

Marc Mees
mme@sosfaim.org
T 32 (0)2 548 06 70
info.be@sosfaim.org
www.sosfaim.be

Graphic design

www.marmelade.be
Translation
Garvin Lambert

Zoom Microfinance
is printed on recycled
paper.

Zoom Microfinance
is published with
funding from the Belgian
Directorate General for
International Cooperation.

The authors alone are
responsible for the
opinions expressed in this
publication.



Belgique

partenaire du développement



SOS FAIM AGIR AVEC LE SUD

4 rue aux Laines, B-1000 Brussels (Belgium) |

T 32-(0)2-548.06.70 | F 32-(0)2-514.47.77 | info.be@sosfaim.org