Technical Note | Burkina Faso | Inclusive and Decentralized Finance (IDF)

Informal financing mechanisms in Burkina Faso

Content authors : Yaya Savadogo, Mohamed Sango, Touwendé Jean Parfait Ouedraogo.
*The full technical note is available **here**.*

Pro-ARIDES

There are several informal financing mechanisms, for example:

- **tontines**
- **warrantage**
- **the indirect financing system**
- **Village Savings and Credit Associations (AVEC)**

An AVEC is like a development bank that mobilizes local savings and reinjects them into the community to finance local activities.

Opportunities

- AVEC are a response to the credit needs of vulnerable agro-pastoral populations with little or no savings capacity.
- An AVEC has a good geographical coverage, is close to its targets and exists at the village level.
- They are self-managed by their members, reinforcing their solidarity and financial autonomy.
- The AVEC model is easy to replicate

Challenges

- Most provinces still have low AVEC penetration rates
- The diversity of approaches to implementing AVEC does not necessarily ensure the sustainability of these local initiatives.
- Survival of AVEC after the end of the program remains a challenge
- Low capacity to mobilize village savings and raise funds from microfinance institutions (MFIs)

A AVEC from Ountandeni in the Eastern region

Pro-ARIDES action points

Strengthening or creating AVEC

- In villages around market gardens, rice-growing sites or other income-generating activities

Accompagnement à moyen et long terme

- Formalization and structuring as a network or umbrella organization
- Linking formal AVEC with MFIs
- Using fintechs to mobilize their resources, especially in a crisis situation
- Development of their activities through subsidies
- Identification of members' specific financing and savings needs
- Mapping and analysis of different approaches to implementing AVEC

Setting up a sustainable network of local village savings supervisors

Sustainability and propagation of Village Savings and Credit Associations

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Infographie par Juliette Fraser