

Executive Summary

Savings and Credit Cooperatives (SACCOs) have been dominating the microfinance industry in the West African Economic and Monetary Union for more than 30 years. This paper focuses on the financial structure of these SACCOs.

Starting with a data analysis of the financial structure of West African SACCOs between 2000 and 2005, the paper shows two key elements. First, the sources of funding are essentially the members and the institution itself. Second, short term funding, especially savings on current account constitute the main financial resource. Given diverse risks West African MFIs face and the fast growing demand for long term loans, the current financial structure shows inefficiencies and is deemed not sustainable. Long term funding should be increased.

Next, a stakeholders analysis leads to the conclusion that strengthening of financial structure has to be done first at the members' level. The behavior of members in terms of management of assets is then presented based mainly on the portfolio theory. It shows that reducing uncertainty and increasing remuneration are important factors of success in attracting long term funding from members.

Finally, based on an overview of long term funding instruments used by SACCOs and cooperative banks, several alternatives of long term funding mechanisms and their potential impacts are presented.