

**THE MUTUELLES
COMMUNAUTAIRES DE
CROISSANCE (MC²) -
CAMEROON**

Overview

- Financial environment in Cameroon
- Origin of the initiative
- Services offered
- Structure
- Detailed assessment of activities
- MC² and the fight against poverty
- Analysis of loans granted
- Innovatory collaboration with an insurance company
- Experience with SOS Faim
- Political vision of interest rates

Introduction

In the field of micro-finance, commercial banks are very often presented as the antithesis of the financial decentralized system. In this respect, the Cameroon experience with The Mutuelles communautaires de croissance (Community Growth Mutual Funds) or MC² is worth being told about since it is the result of the initiative taken by one of the main private commercial banks in Africa, the CCEI Bank.

Is it possible to combine the professionalism and the rigour of a bank as well as high-tech financial techniques such as micro-insurance with a service to poor rural populations excluded from classical financial circles ?

Such is the challenge that the MC² want to take up in Cameroon, with a very interesting perspective of moderate interest rate policy.

We would like to invite you to discover this experience with us in the present issue.

The financial environment in Cameroon

Nine commercial banks are still present on the Cameroon market. They have branches in the big cities and offer a spectrum of services to a limited number of customers: civil servants, retailers, businessmen and employees of the private sector. The opening of a current account very often requires an investment that varies between 100.000 and 1.000.000 CFA. But you have to have a current account in order to have access to credit... which by the way is quite expensive (at least 21% per year).

Such a situation explains the omnipresence of informal systems in this country: usurers, tontines and solidarity funds.

The tontines work with considerable amounts: they are the result of an homogeneous social basis (ethnic groups, socio-professional category, sector of activity, place of residence); each member contributes on a regular basis and, in turn, has access to the whole capital: the attribution system goes from a lottery to the consensus going through auctions and the selection of the most profitable project for the group.

The solidarity funds exist on a similar basis but they are used as an insurance in case of decease or illness or in order to finance school expenses.

A sector that has been qualified as "intermediary" has been established with time. It is a decentralized financial system: cooperatives, village banks and growth mutual funds. According to the ACIM (Association came-

rounaise des institutions de micro finance – Cameroon micro-finance institutions association), the micro-finance bodies work today for some 300.000 customers, which means they have a penetration rate inferior to 7% of the potential market.

The present issue is dealing with one of these initiatives: the Mutuelles communautaires de croissance, MC², that are particular in that they have a direct link with one of the main commercial banks of the country.

Origin of the initiative

The MC² have a strong link with the studies carried out by Dr. Paul K. Fokam on the impact of the 1986-1988 crisis on Cameroon's financial system. His conclusion was that 95% of the population is excluded from the classical bank network while he observed the existence of an important mobilization of rural saving systems. When he was appointed Director General of the CCEI Bank, Dr. Paul K. Fokam did not forget the results of his research and devoted himself to the development of the MC² as from 1992.

The network is based on various players.

- The village population is the only player that can take the initiative to create a new Mutuelle communautaire de croissance.
- The CCEI Bank, a commercial bank, is the real driving-force of the network. A CCEI team is specifically responsible for the MC². The role of the CCEI in the system is diversified: training of agents to banking systems, loan for the devel-

opment of a mutual fund, control of ratios and cash security.

- The ADAF is an NGO that was created to support the MC². It centralizes the financial data of the mutual funds, is responsible for accountancy control and reconciliation of accounts. It is also in charge of the training of the MC² staff (management techniques, marketing, micro-finance, rural sociology...) and plays the role of an intermediary with the national and international organizations.

In June 2001, 36 MC² were operational in 9 out of the 10 Cameroon's provinces, with a strong concentration in the West.

Services offered

The MC² offer both credit and savings services.

- The **ordinary savings account** is accessible to any member of the local mutual fund; the minimum average investment is 5.000 CFA. The saving is remunerated between 2,5 and 4% per year, that means less than in commercial banks (5%). The difference is used to pay for running expenses.
- The **associated deposit account** is a current account that is used to perceive transfers and to cash in cheques. It must have at all times a minimum balance of 10.000 CFA. Thanks to the synergy with the CCEI Bank, the holders of such accounts can operate on the whole Cameroon territory and even outside the country.
- The **flash cash account** is a deposit certificate created by the CCEI Bank. An initial investment of

25.000 CFA is needed. The beneficiary then receives "flash cash" travellers cheques. The bank commissions with this system are lower and the risk to travel with important sums of money is limited.

As indicated further in the text, the access to credit requires a preliminary saving. The average interest rates are of 13%, that is much lower than those of the market. This is justified by the strategy of fight against poverty that is a motto for the MC² network. The reimbursement rate of loans with the MC² reaches 97%.

Structure

Pursuant to a 1990 law, each mutual fund is an association. It works with its own bodies: a general assembly, an advisory committee, a board of directors and an executive secretariat.

Each member has the right to vote at the General assembly. In order to become a member, a membership fee of 2.500 CFA has to be paid and at least 10 shares of 1.000 CFA each have to be subscribed.

The advisory committee is elected by the general assembly and formed by members who have a moral influence on the local community (for instance the traditional authorities). It settles conflicts and problems of reimbursement to the MC².

The board of directors is also elected by the General assembly. It defines the global policy of the Mutuelle communautaire de croissance and insures its follow-up. It also acts as a Credit Committee. In that case, the manager of day-to-day operations at the MC² and a representative of the CCEI Bank also participate with a consultative

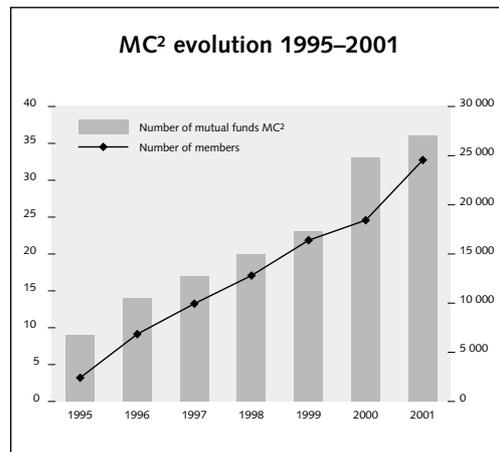
vote. The role of the banker is to check that the prudential ratios are respected.

The daily activities are managed by a team of at least three persons: a secretary-treasurer, an accountant and a cashier. They have to be members of the community and of the MC² and will have to follow a six-month training with the CCEI Bank, the ADAF and an already operational CGMF².

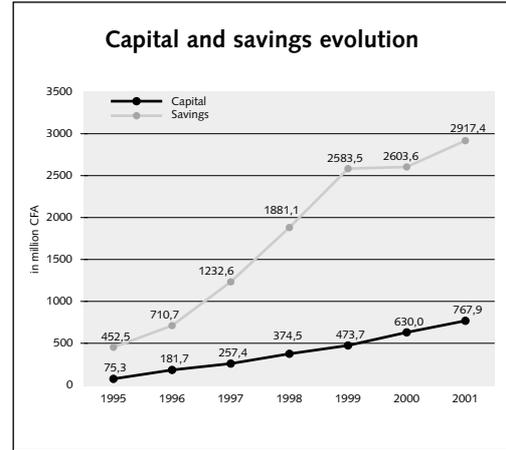
A detailed assessment of activities

The growth of the network since 1992 has been good; 36 "agencies" are today operational.

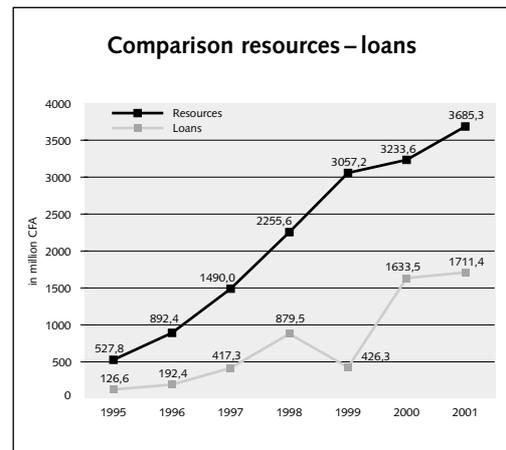
In May 2001, it was estimated that the number of members was 24.558: 21% of women, 65% of men, 8% of associations and 6% of various (among which companies). According to the ADAF, the total number of persons concerned is of some 150.000.



The capital mobilized through the network was of 767 million CFA in May 2001, with an annual growth of 22%. The savings reached some 2.917 billion CFA, with an annual growth of 12%.



The volume of loans also indicates a growth but a large part of the resources is however still available (the surplus of treasury is invested with a 5% interest rate with the CCEI Bank). For instance, in 2000, the loans represented 48% of the resources.



However, the MC² network follows a generally positive trend and presents the advantage of combining the professionalism of the financial sector with the respect of rural socio-cultural values.

The MC² and the fight against poverty

The Mutuelles communautaires de croissance state the fight against poverty as their clear objective. However, the target population is not

limited to the category of "the poor" but rather extends to the whole village population, including the urban elite. This is justified by the will to strike a financial balance as well as by the fact that the participation of the elite is considered as being important, particularly as a driving-force and a guarantee of credibility during the initial phase: capital investment and motivation of the population. The MC² thereby adopt an open, non-exclusive approach.

Analysis of loans granted

To what extent do the poor benefit from loans granted by the MC²? Aren't the MC² a tool to collect rural savings that would have been transformed into urban credit?

Such questions seem relevant if we think that the "entrance fee" (membership, shares and minimum saving) is generally of 17.500 CFA. In fact, the group membership is an alternative to this relatively high access cost (cf. associative and solidarity loan)

With some elements of reflection we will try to give an answer to a question that is both topical and polemical.

► The selection procedure

This procedure is usually quite long: a new member has to respect a waiting period, a period of observation that will vary between six months and one year. After this, if he introduces a request, an interview will be organized with the local MC² manager and his/her home will be visited. The credit committees are held only every three months. The transaction costs are therefore relatively high, both for the institution and for the member, even if in some MC², these committees are

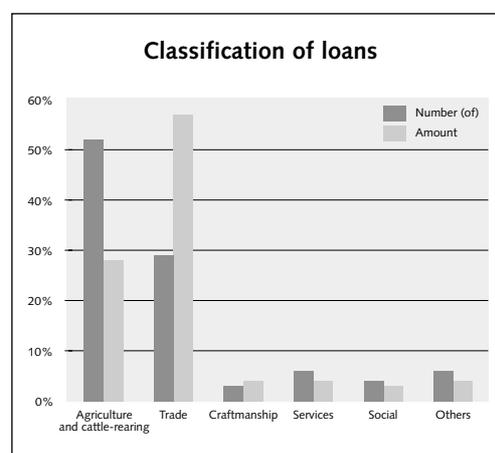
formed in order to meet the urgent needs up to a certain credit threshold defined by the board of directors.

► The selection criteria

A preliminary saving is compulsory but there is no formal link with the volume of the loan.

The borrower will also have to submit guarantees: one or two other members of the mutual fund have to give their endorsement. This system is sometimes completed by material guarantees: house or plantation for instance. Such guarantees can appear to be exclusive; that is the reason why the MC² also accept as a guarantee traditional art objects that have a strong symbolic value.

During the analysis of the request, a lot of attention is paid to the use of the funds: such a use will largely determine the capability to reimburse. Most of the loans are therefore focused on productive activities. However, the MC² also grant social loans (school expenses, rehabilitation of houses, funerals, marriage...). This procedure very often allows people not to resort to the usurer or to urgently sell their assets.



► The classification of loans on the basis of the amount

It is relatively logical to use this kind of classification to estimate the socio-economic level of the borrowers. The concern to offer a service to the less favoured populations appeared more clearly after the presidents of the MC² who were meeting for a seminar decided to maintain to at least 30% the number of loans inferior to 500.000 CFA. And in fact this option is largely respected since 64% of the loans granted are inferior to 500.000 CFA and 30% vary between 500.000 and 3.000.000 CFA.

But as far as the volume is concerned, figures are respectively of 15% and 42%.

Innovatory collaboration with an insurance company

The MC² network signed two agreements with the SAAR Insurance Company:

- The "global bank agreement" that covers a certain number of risks such as fire, robbery, staff accidents, transfer of funds and embezzlements. Each micro-bank chooses the limit it wants to cover. For instance, for an amount of 4 million CFA, the premium is 135.000 CFA, that is 3,37%. An individual insurance for the same risk would cost at least three times as much.
- The "borrowers' group" insurance that covers the amounts due (with the exception of unpaid terms) in case of decease or invalidity for all the customers aged under 60 at the time the loan is granted, for an amount of 10 million CFA and for a period under 3 years. The annual premium is 0,6% of the credit volume.

The experience with SOS Faim

Since 1998, this experience focused on two specific areas with the MC²:

- A pilot-action of associative and solidarity loan

The objective of this action is to offer a service to a population the economic weakness of which prevents it from actively participating to the MC². Three mutual funds were covered by such an approach that benefits to groups working with a facilitator. In these three MC², 57 groups gathering 1015 members (of which 70% of women) were covered. 6,6 million CFA were mobilized in resources and 7,8 million CFA were granted in loans (of which 79% for agricultural activities).

- An example of investment in a capital venture, the MIT-Fund

An investment fund directed at micro-companies with an important growth potential was developed in 2000. It makes it possible for these companies to buy shares and to subscribe subordinate loans for periods ranging between 2 and 5 years, combined with management and accountancy trainings. The companies are sure to benefit from a permanent support. This fund also makes it possible for micro-finance institutions (among which the MC²) to grant to their members medium and long term loans, something they could not do till now because of the "short term" nature of the savings mobilized. SOS Faim contributed with 15 million CFA in 2001 and during the first year of activities the MIT-Fund could invest 162 million CFA in 75 initiatives in many different sectors: catering, sewing, school sta-

tionary, hairdressing, mechanics, craftsmanship, agricultural production...

A political vision of interest rates

The MC² are particular in that they grant loans with an interest rate inferior to that of the banking system but also because they are more accessible than many other decentralized financial systems.

In an interview to the magazine "The challenge for the Poor", M. Bengala, executive to the CCEI Bank, suggests the following analysis to justify such an approach.

"There is indeed a trend in the world of micro-finance that asserts that what is most important for the poor is to have access to loans, whatever the interest rate applied. To defend such a perspective, its supporters give indicators as to the funds recovery performance, usually with rates between 90 and 100%. But, we shouldn't forget that this thesis is totally opposed to the economic theories that teach us that in order to favour macro-economic growth, the price of money should be reduced. Such is the practice in the industrialized countries with efforts to maintain the lowest possible interest rates. It is therefore difficult to understand why the poor should pay excessive rates. As far as the recovery performance is concerned, people rarely pay attention to the origin of resources used for reimbursement. Very often, customers have to contract debts elsewhere in order to respect their commitment and keep their dignity. As a conclusion, I would say that it seems clear to me that for the poor, more than for anyone else, interest rates should be the lowest possible ones if we want to put micro-finance to the service of development."

SOS Faim and microfinance

SOS Faim has been working for many years in the field of microfinance and gives its support to partners working in this sector in Africa and Latin America. Among them : Kajo-Jiginew in Mali ; DECSI and SFPI in Ethiopia ; Edpyme Proempresa, Edpymes Confianza, MIDE and Fondesurco in Peru ; Sointral in Chili, FADES in Bolivia and MC² in Cameroon.

Just like any other development tool, microfinance must be questioned as far as its objectives, modalities and implementation conditions are concerned. It is with this idea in mind that SOS Faim publishes, among others, "Zoom Microfinance". Five other issues have already examined initiatives taken in Africa and Latin America.

This issues as well as the present one can be downloaded in French, English and Spanish on the website of SOS Faim Belgium : www.sosfaim.be.

Other publications by SOS Faim

Crédit et développement rural en Amérique Latine (in French and Spanish). FADES-SOS FAIM, éditions Action pour le développement, 1995.

Pour de nouvelles approches de l'aide au développement. Quels outils financiers pour une coopération équitable ? SOS FAIM-COTA, actes du colloque, 1994.

Edition spéciale Défis-Sud, **Le financement alternatif**, October 1996.

Edition spéciale Défis-Sud, **La microfinance lutte-t-elle contre la pauvreté ?**, October 2000. Index available on www.sosfaim.be/Defis-Sud

La réglementation de la microfinance en Éthiopie, Nicole Hogger, communication for the SOS Faim's seminar, La Paz, october 2001.

We should also mention here an audiovisual documentary on the experience of Kajo-Jiginew, "Les greniers de l'argent" by Jean-Michel Rodrigo, Mecanos Production, 2001. Copy available at SOS Faim Belgium by paying dispatching costs.

If you want to contribute to the debate launched by SOS Faim on microfinance, please do not hesitate to send us your comments and questions by mail or e-mail.

This issue of Zoom microfinance was prepared by M. Mees, mmees@sosfaim.be, with the collaboration of Justin Bomda, director of the ADAF Fondation.

Sources :

L'accès des pauvres aux services de microfinance : le cas des Mutuelles Communautaires de Croissance (MC²) au Cameroun ; Vinciane Siebrand ; août 2001.

Le Défi des pauvres : n°1 et 2 ; mars et juillet 2001 ; publication de la fondation ADAF ; Yaoundé, Cameroun

Internet website of the ADAF : adaf@camnet.cm

SOS Faim – Action pour le développement
Rue aux Laines, 4 – B 1000 Bruxelles – Belgium
Phone : 32-2-511.22.38 – Fax : 32-2-514.47.77
E-mail : info@sosfaim.be – Site : www.sosfaim.be

SOS Faim – Action pour le développement
Résidence "Um Deich" bloc C, 9 rue du Canal
L - 4050 Esch-sur-Alzette – Grand Duchy of Luxembourg
Phone : 352-49.09.96 – Fax : 352-26.48.09.01
E-mail : info@sosfaim.org – Site : www.sosfaim.org

"Zoom microfinance" is produced with the support of the Direction Générale de la Coopération Internationale de Belgique and the Ministry for Foreign Affairs of Luxembourg.