
CAMEROON

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1.

MAIN FEATURES OF THE ECONOMY

Cameroon is one of Africa's most diverse countries, with a wide range of climatic zones, ecological conditions, natural resources, population densities, ethnic groups and traditional cultures. It has a population of 10 million (1986) and covers an area of 475000 km². While overall population density (21 persons/km²) is still moderate, the substantially higher population density per km² of agricultural land (65 persons) indicates a heavy pressure on agricultural land. With a population growth rate of 3.1% p.a. and an age structure leaning strongly towards the lower age groups, the pressure on agricultural resources is likely to increase rapidly. About 60% of the population still lives in rural areas and agriculture and rural sector activities employ about 70% of the labour force; industry accounts for about 8%, and the rest is employed in service sectors including the Government.

The advent of oil production, in 1978, has deeply influenced the evolution of the Cameroonian economy. By 1985, the share of oil had increased to more than 17% of total GDP and to an estimated 45% of total Government revenues. Net foreign exchange earnings from oil represented some 35% of total exports of goods and non-factor services for that year. Oil revenues permitted a rapid expansion of investment that, in turn, induced a rapid growth of non-oil sectors, particularly of manufacturing industry and construction. With national savings increasing rapidly (from 19% of GDP in 1978 to 34% of GDP in 1985), fixed investment rose from 21% of GDP in 1978 to more than 25% in 1985. Government direct investment

(excluding investments of the public enterprises) increased from about one fifth to about one fourth of total investment. These developments resulted in an increase in GNP per capita in current prices from an estimated US\$ 494 in 1978 to an estimated US\$ 800 by 1985, representing a real growth of some 6 to 7% per year in CFAF terms. This performance was achieved in an unstable and unfavorable international environment while maintaining internal and external financial stability. Revenues derived from oil have been prudently used.

TABLE 1.1

Macro-Economic Indicators

<i>Gross Domestic Product, 1984^a</i>	Billion CFAF		Annual Growth	
	Current Prices	%	Rates in Volume 1972-78	1978-84
GDP at Market Prices	3,195.0	100.0	5.4	9.9
Gross Domestic Investment	828.0	25.9	11.7	10.3
Consumption	2,083.3	65.2	3.7	5.2
Gross Domestic Savings	1,111.7	34.8	12.5	26.8
Export of Goods and Non-Factor Services	1,040.7	32.7	5.1	19.8
Imports of Goods and Non-Factor Services	759.9	23.8	5.1	5.0

<i>Production by Sectors</i>	1984 ^a Value Added in Billion CFAF	Sectoral Composi- tion (%)		Annual Growth Rates in Volume	
	Current Prices	1978	1984	1972-78	1978-84
Agriculture	702.0	31.5	23.2	3.5	2.6
Industry	586.3	14.2	19.4	7.5	15.7
Mining and Oil	520.5	0.7	17.2	3.8	63.4
Administration	212.8	7.7	7.1	6.3	7.1
Services	1,000.4	45.9	33.1	4.5	7.5
Total	3,022.0	100.0	100.0	5.4	10.3

^a Fiscal year July 1, 1983 - June 30, 1984

Source: IBRD, Cameroon Country Economic Memorandum, Washington, D.C., February 17, 1987

The emergence of oil has had a deep impact on the structure of the economy. The most notable changes are the rise in the importance of oil from less than 1% of GDP in 1978 to more than 17% by 1984, the increase in the share of industry from 14.2 to 19.4% and the drop in that of agriculture from almost 32 to 23%. Overall, with industry – including oil,

mining, manufacturing construction and utilities – and services making up some 40% of GDP, the structure of the Cameroonian economy has become in the mid 1980s typical of that of a middle income economy.

Thanks to Cameroon's oil revenues and the prudent way in which they have been managed, the evolution of public finances has been good. It should be noted that budgetized public revenues include only part of the oil revenues; thus, the following data on total Government revenues are based on estimates and may be subject to substantial margins of error. Total government receipts have been estimated to have gone up sharply from almost 21% of GDP in 1979 to 24% in 1985. While current expenditures rose in similar proportion, government current savings averaged about 13% of GDP during 1981 to 1985. They were used to finance a relatively high level of capital expenditure, to accumulate substantial financial savings and to reimburse external debts in advance.

TABLE 1.2

Central Government Accounts

	1980	1981	% of GDP			
			1982	1983	1984	1985
Revenues	18.1	23.7	24.4	23.9	24.3	24.0
Current Expenditures	10.8	12.1	12.0	13.7	14.0	13.5
Current Surplus	2.4	11.6	12.4	10.2	10.3	10.5
Capital Expenditures	5.2	12.6	10.8	9.5	8.6	8.3

Source: IBRD, Cameroon Country Economic Memorandum, Washington, D.C., February 17, 1987

The financial situation of the banking system, on the other hand, is precarious, as it is sustained by large deposits of the Government and semi-public organisations. Without these deposits it would be close to a state of insolvency. The ten banks of the system have a weak equity base and a large volume

of non-performing assets. Moreover, the structure and levels of domestic interest rates has favored the transfer of liquid funds abroad. If a fall in oil revenues were to lead to a withdrawal of Government deposits from the banking system, a severe liquidity crisis could result.

Cameroon's balance of payments situation has been strongly influenced by rapidly rising oil revenues between 1978 and 1985. However, known oil resources are limited and the period of rising oil production has come to an end. In fact, oil production has started to decline and World Bank estimates project that oil exports will drop to zero by the mid 1990s.

The declining importance of oil will require an adjustment process for the economy in which agriculture will have to resume an increasing role as foreign exchange earner. If agriculture is to live up to that expectation agricultural growth for the coming decade has to be substantially higher than what agriculture has been able to achieve in the past. Increasing the growth rate of agricultural export production requires, as will be discussed below, a series of institutional and policy improvements. With limited world market prospects for Cameroon's main export products, agriculture's traditional role as a major source of Government revenues is likely to decline. Reducing public expenditures and/or developing alternative sources of public revenues will become an important component of the adjustment process.

At the same time there will be an increasing need for agriculture to provide adequate supplies of food for a rapidly rising population. A recently completed study of the Ministry of Plan concerning Cameroon's long-term food situation points out that with an expected population growth of 3.2 to 3.3% p.a. up to the year 2000, a continuing rural-urban migration, and a projected per capita annual income growth (in real terms) of 2% to 3% the food situation will remain "precarious". The Government's objective of food self sufficiency is thought to be achievable only if heavy investments in

rural and urban transport, storage and marketing infrastructure are made, so that post harvest losses can be substantially reduced. Under presently prevailing loss rates self sufficiency would only reach 96%. If an agricultural growth rate of 4% p.a. and food self sufficiency by the mid 1990s is to be achieved, significant progress is required for resolving some key issues facing the agricultural sector.

A third important challenge for the agricultural sector will be its contribution to employment creation. Taking into account the still rising population growth rate the World Bank projects a need for 2 million jobs to be created up to the year 2000. Of this the nonagricultural sectors could provide some 50% implying that the other 1 million jobs will have to be created in agriculture (including forestry). This suggests that policies need to be pursued which expand rural employment opportunities. Such policies include measures providing strong incentives for expanding agricultural production, offering adequate support to agriculture through improvement of marketing institutions, input supply, agricultural research, extension and credit, and making life in rural areas more attractive through investments in physical and social infrastructure in rural areas.

2.

MONETARY POLICY AND FINANCIAL DEVELOPMENT

2.1 THE FINANCIAL SYSTEM

The dominant characteristic of the Cameroon financial system is the *franc zone* apparatus within which it operates. It is an important element in the Cameroon economic development in establishing particular close linkages between the Cameroon economy and other members of the franc zone and also with the rest of the world through full convertibility of the exchange rate. At the center of the franc zone system is the common central bank of Central Africa, BEAC (Banque des Etats de l'Afrique Centrale), established in 1973, and its predecessor, the Banque Centrale des Etats de l'Afrique Equatoriale et du Cameroun (since 1959). BEAC is responsible for setting a common monetary policy for its member countries with a common currency, the FCFA, which is fully convertible into the French Franc at a fixed exchange rate of 50 FCFA = 1 French Franc. With exchange transaction costs set at zero the financial systems of the member countries are virtually completely integrated. Common Central Bank discount rates apply for all member countries, although interest rates to final borrowers (and on deposits) as well as credit terms may diverge somewhat.

The formal financial system comprises, apart from the Central Bank, the commercial banks, the development finance institutions, i.e. BCD (Banque Camerounaise de Développement), FONADER (Fonds National de Développement Rural) and FOGAPE (Fonds d'Aide et de Garantie aux Petites et

Moyennes Entreprises), other financial institutions (leasing and finance companies; the national housing bank – Cr dit Foncier du Cameroun, CFC; the investment company – Soci t  Nationale d'Investissement, SNI; the insurance companies; the National Produce Marketing Board NPMB or in francophone Cameroon called the Office National de Commercialisation des Produits de Base, ONCPB; and the social security fund – Caisse Nationale de Pr voyance Sociale, SNPS). Of these, the commercial banks, BCD, NPMB/ONCPB and specifically FONADER, are the most important institutions for the financing of agriculture. In addition, the credit union system and informal sector entities play an important role in rural financial transactions.

Commercial banking is highly concentrated: of the ten commercial banks operating in Cameroon four account for about 85% of total credit and 83% of total deposits. Government ownership is legally determined at a minimum of 35% of a bank's capital, but it averages considerably more than this for the entire sector; one bank, the Cameroon Bank, is wholly Government owned. The Government's share holding in the commercial banking sector is intended to ensure the banks' support for Cameroon's development strategy.

The commercial banks' (including BCD's) consolidated summary balance sheet shows, as of end September 1985, total assets of FCFA 1141 billion; of this FCFA 872 billion (76%) were credits outstanding to the economy and another FCFA 75 billion (6.6%) credits to the Government: FCFA 177 billion (15.5%) were placed abroad as foreign assets; cash balances and deposits with the BEAC accounting for the rest. On the liability side, the banks' capital amounted to FCFA 67 billion (6%) only; sight, term and savings deposits accounted for FCFA 752 billion (66%) and Government deposits for FCFA 128 billion (11%). Thus, the Government has been a net contributor to the banks' liquidity. The remainder were loans from BEAC and foreign institutions. By far the largest part of

the banks' lending is short-term (70%), of which 62% is directed to manufacturing, commerce and trade. Agriculture (including fisheries and forestry) for 4.6% of all short-term lending. In the category of medium – and long-term lending agriculture's share with about 3% is even smaller; the bulk of medium – and long-term lending (about 53%) to the mining, petroleum and manufacturing sectors. Lending to agriculture is shown in Annex 1 Table 1.1

BCD was established in 1960 with the specific purpose to provide long-term development finance. Over time it has also taken on some commercial bank functions; thus, it accepts deposits and provides also short-term credits. However, in line with its main function, it has emphasized term-lending with about two thirds of its total loans between 1979 and 1985 being of medium – and long-term duration; within this category strict long-term loans accounted for 11%. On average, *BCD* term loans had a maturity of about three years, which seems relatively low for development term lending. About 40% of its term lending was provided to the manufacturing and handicraft sector with particular emphasis given to small and medium scale enterprises. *BCD* has also played an important role in lending to agriculture. Between 1980 and 1984 81% of its short-term lending was for agricultural production and marketing; in term lending agriculture's share was substantially smaller with only 18%. However, in both categories *BCD*'s lending to agriculture showed a remarkably declining trend during the last few years.

ONCPB and *FONADER* are the key institutions in the flow of financial resources in agriculture. *ONCPB*, although set up primarily as a market stabilization organisation, has become the most important mobilizer of agricultural resources through export taxation. *FONADER* was established to channel resources back into agriculture, particularly to smallholder production. Both institutions are discussed in detail in the following chapter "Rural Financial Institutions".

Credit Unions and *Caisses Populaires* are savings and credit cooperatives governed by the Cameroonian cooperative legislation. Prior to formal registration by the Cooperative Department they are labelled "discussion groups". In Cameroon, credit unions in the anglophone regions are affiliated with the Cameroon Cooperative Credit Union League (CAMCCUL), Bamenda, and in the francophone area with the "Union des Caisses Populaires" (UCPY), Yaounde. Credit unions play a significant role in the financial system of Cameroon. They have become important in the mobilization of rural savings and in extending credit in urban and rural areas, particularly in the anglophone provinces. They regularly mobilize savings from their members and operate on a self-financing basis with little or no Government intervention. Credit unions elect their management and committee members themselves; they act on a honorary basis keeping administrative costs low. A high degree of active participation and volunteerism is also evident at the "chapter" (group of several CUs) and league-levels, where elected representatives meet to determine the policies and directions of their constituencies' movement.

The credit union movement dates back to 1963 when the first CU was formed in the North West Province. CU growth continued in the area resulting eventually in the creation of CAMCCUL in 1968. This organization grouped an initial 34 registered primary societies (CUs) and took upon itself the initial responsibilities of audit and control of its affiliates, as well as the promotion and organization of new societies.

From the creation of CAMCCUL until 1977 membership grew rapidly (5200 in 1969, 37400 in 1977). From 1978 to 1984, the membership growth slowed down due to CAMCCUL's move towards consolidation of existing CUs rather than organization of new ones. As of the end of 1985, close to 250 CUs with a total of about 58600 individual members were affiliated to CAMCCUL, of which 80% were operating in the

North West and South West Provinces, the remainder were located in the Western and Littoral Provinces. Annex I Table 1.2 provides summary statistics on savings and loans from 1969 to 1985. By 1985, the total amount of savings accumulated were 6.5 billion; the total amount of loans allocated about 4.5 billion. With an average loan size of in the order of FCFA 50.000 to 60.000 credit unions cater to the small borrowers in urban and to lesser extent rural areas.

Similarly, the *informal sector*, (tontines and njangi) plays an important role in the financial system, both in urban and rural areas. The tontines/njangi are rotating savings and credit groups where participants meet regularly to pay their contribution into a common fund, which may be given to each member in turn or which may be collected and deposited in an interest bearing savings account with a commercial bank. The specific operating rules vary widely. The field surveys have shown that more than 40% of the farmers interviewed belong to at least one tontine/njangi and 20% of the respondents were member of two or more. Moreover, the women and other family members are also regularly members of tontines/njangi. Being based on social or clan affinity relations repayment problems are practically unknown. On the other hand, while they are an important source of credit for various, often social purposes interest rates may be high and maturities are normally less than one year. A particular problem is their almost complete separation from the formal financial system, thus contributing to a segmentation of the overall financial market.

2.2 MONETARY POLICY INSTRUMENTS

Under the regulations of the common franc zone system, the BEAC is responsible for setting a common monetary policy for its member countries. With a common currency the rules of operation for the BEAC zone countries are intended to

control domestic demand in such a way as to avoid a continuing drain on the operations account. This account, managed by the French treasury, is in effect an overdraft facility used to purchase all excess supplies of CFA francs on the foreign exchange market, and thus to ensure full convertibility. Besides a common currency and exchange rate also common Central Bank discount rates are set for all member countries. Nevertheless, interest rates charged to final borrowers and credit policies differ somewhat among member countries.

Rediscount ceilings and rates are the principal and at the same time an extremely complex instrument of monetary policy. Different rediscounts are fixed for privileged or non-privileged uses; for loans made to enterprises which have exceeded individual borrowing limits; for different working capital levels; short, medium or long-term lending. They also vary depending upon whether firms have received prior authorizations (*autorisations préalables*) for medium-term borrowings. Accordingly, a wide range of different rediscount rates and bank margins may be applied; different amounts rediscounted, or rediscounts not provided, all depending upon a complex interplay of elements.

The system is, moreover, substantially complicated by the multiplicity of administratively set interest rates. Final interest rates are set on the basis of BEAC prime rates which are identical for all member countries. Each country's National Credit Council can, within certain limits, establish the margins to be added to the prime rates to determine the final deposit and lending rates. In Cameroon, the application of these margins, which differ according to deposit/credit amount, term/maturity, purpose of credit (preferential or ordinary sector) and rediscountability, results in a total of 21 different lending and 49 different deposit rates, all administratively fixed. Deposit rates, in May 1986, ranged from 3.25% to 9.5% p.a.; lending rates from 7.5% for preferential operations (*opérations privilégiées*) to 14.75% p.a. for ordinary operations

(opérations ordinaires). In addition, special rates apply for Government transactions and overdue accounts. Credits to agriculture, both short-term funds for financing production inputs, marketing, storage and export as well as medium – and long-term credits benefit from the 5.0% privileged rediscount rate as do loans to cooperatives and state organisations. Apart from its complexity, a major problem of this interest rate system has been, that the margins allowed to banks are smaller for the privileged sectors than for ordinary operations, thus discouraging bank lending for the privileged operations which often are the higher cost and riskier loans.

Of particular importance to the rural finance sector is the interest rate policy and its international dimension. Interest rates in Cameroon are low both in real terms and in relation to Paris rates. The low rates reflect the assumption that given its low per capita income domestic savings were likely to be so limited that interest rates play little, of any, role in mobilizing resources. On the other hand, low interest rates were assumed to encourage investments, so that cheap credit was seen as logical policy. The Government, mostly through export taxation, assumes a significant role in resource mobilization and, together with the Central Bank, provides low-cost funds for investment. Thus, the Central Bank and the Government tend to substitute for a commercial banking system whose function is to intermediate and channel funds between savers and investors through the financial market system.

Low interest rates are likely to have discouraged private savings mobilization by the commercial banking system. On the other hand, an important source of funds for the banks has been the Government budget surplus and the surpluses of such parastatal organisations as ONCPB and the social security fund. Total public sector deposits rose from FCFA 76 billion in 1980 to FCFA 214 billion in mid 1985. ONCPB, whose main sources of income are taxes on coffee and cacao exports and levies on other agricultural products, accounts for

a large share of these deposits. In other words, a substantial amount of resources is, through the agricultural pricing and taxation policy, withdrawn from the rural sector and channelled into the commercial banking system. Through its credit policy, which includes agriculture as a preferential sector, and through direct subsidies and financing of development projects the Government tries to channel back funds into high priority investments of the rural sector. However, as mentioned above, the low margins allowed to banks for lending to the preferential sector appear to have limited the success of these efforts. The amount of commercial bank lending to agriculture is low and has been declining since 1980 to a level of below 5% of their overall lending. Moreover, commercial banks tend to concentrate their agricultural loans to agricultural marketing and export operations. Furthermore, the low interest rate policy and tight margins for preferential lending have made the investment of funds in the virtually risk-free Paris capital market appear more attractive to the commercial banks than investments in the domestic economy. The commercial banks net foreign assets have increased sharply since 1982 to a level of FCFA 155 billion at the end of 1985, indicating a substantial flow of resources abroad.

Other monetary policy instruments of the BEAC system include the establishment of BEAC-imposed banking ratios (liquidity coefficients; lending/capitalization ratios; ratios of deposits to non-rediscountable loans), and quantitative restrictions on lending to the Central Government. These instruments have been of relatively minor importance, partly because most banks had little difficulty in adhering to such rules as, for example, liquidity requirements, partly because it has not been possible, in practice, to enforce them.

As discussed above, monetary policy has had a constraining impact on the efficiency of the financial system. With its complexity, lack of transparency and distortions in interest rates, it has hampered resource mobilisation from the private

sector, discouraged banks from making loans to high priority sectors and encouraged a flow of resources abroad. As will be shown below it also has most likely constrained financial intermediation and deepening.

2.3 FINANCIAL INTERMEDIATION

The behavior of the major monetary aggregates is summarized in Table 2.1.

The money supply during 1978-1984 grew, although with heavily fluctuating growth rates from year to year, along with GDP in nominal terms at almost the same rate of 22% p.a. There was, however, a contraction in the money supply in 1986 when it declined by 4%. Domestic credit during 1978-1984 grew, also in line with nominal GDP, at 21% p.a.

The distribution of domestic credit has changed significantly during this period. While the Government with rising oil revenues has built up a creditor position vis à vis the commercial and development banking system, the private sector has been a heavy net borrower, with its indebtedness towards the banking system almost quadrupling. Although the level of the Government's net creditor position with commercial and development banks has declined since 1982 it remained a major source of the banking system's liquidity. While banks have increased Central Bank borrowing, foreign borrowing remained at the level of 40-60 billion FCFA.

TABLE 2.1
Monetary Survey; 1970, 1975, 1978-1986

	1970	1975	1978	1979	1980	1981	1982	1983	1984	1985	1986
Monetary Aggregates in billions of Francs, as of December of each year											
Total Money	45.47	105.69	212.32	260.09	315.41	405.61	483.40	612.42	736.23	864.52	828.36
Currency outside banks											
plus demand deposits	38.40	76.05	146.95	184.25	208.23	258.92	298.48	377.07	410.76	426.68	445.29
Quasi-money	7.07	29.64	65.37	75.84	107.18	146.69	184.92	235.35	325.47	437.84	383.07
Total Money excl. net Claims of											
Commercial+Develop. Banks on Gov.	43.33	102.92	184.93	212.58	265.93	265.34	370.16	539.82	664.16	799.31	805.03
Net Foreign Assets	18.59	0.34	-15.78	9.97	-4.51	43.12	-9.66	59.59	129.39	155.87	-12.21
Long-Term Foreign Borrowing	1.56	1.23	2.06	14.35	28.45	40.67	64.77	44.60	60.94	51.33	43.70
Domestic Credit	30.83	118.77	248.97	284.60	363.80	425.93	563.04	700.51	731.85	835.65	979.37
Net claims on government	-14.37	7.33	-17.85	-39.15	-52.81	-133.75	-115.70	-108.25	-74.28	-42.64	-6.84
Claims on private sector	45.20	111.44	266.82	323.75	416.61	559.68	678.74	808.76	806.13	878.29	986.21
Memo Item:											
Net claims of Com.+Dev. Banks											
on Government	-2.14	-2.77	-27.39	-47.51	-49.48	-140.27	-113.24	-72.6	-72.07	-65.21	-23.33
Gov. Depos. at Com.+Dev. Banks	4.39	9.14	43.99	66.90	76.16	173.82	158.06	127.47	138.5	143.65	120.76
Claims (Com.+Dev. Banks) on Gov.	2.25	6.37	16.60	19.39	26.68	33.55	44.82	54.87	66.43	78.44	97.43

Source: IMF, International Financial Statistics, Yearbook 1987

The level of financial intermediation is a useful indicator for a financial system's efficiency in mobilizing private financial resources for economic growth. It is generally summarized in the measure M_2/GDP and reflects the range and diversity of financial instruments available to savers and the set of financing possibilities available to investors. Key indicators of financial intermediation are summarized in Table 2.2. The indicators show that financial deepening in the economy is far less than what one would expect for a country of Cameroon's level of per capita GDP. The M_2/GDP ratio ranges between 22 and 23.4% during the first half of the 1980s; if Government deposits with the commercial banking system are excluded, mainly since such deposits have no relationship to such monetary instruments as interest rates and diversity of savings possibilities, the M_2/GDP ratio reaches hardly 20%, well below the level of other countries with even lower per capita income (Table 2.3).

TABLE 2.2: *Financial Deepening Indicators, 1970, 1975, 1978-1985*

	1970	1975	1978	1979	1980	1981	1982	1983	1984	1985
Money as % of GDP	12.78	13.11	15.18	16.23	15.35	14.41	13.74	14.40	12.86	
Quasi Money as % of GDP	2.35	5.11	6.75	6.68	7.90	8.17	8.51	8.99	10.19	
Total Money as % of GDP	15.14	18.22	21.93	22.91	23.26	22.58	22.25	23.39	23.04	
Total Money excl. net Claims of Com. + Dev. Banks on Gov. as % of GDP	14.42	17.74	19.10	18.72	19.61	14.77	17.04	20.62	20.79	
Domestic Credit as % of GDP	10.26	20.47	25.72	25.07	26.82	23.71	25.91	26.76	22.91	
Long-Term Foreign Borrowing as % of GDP	0.52	0.21	0.21	1.26	2.10	2.26	2.98	1.70	1.91	
in %										
Change in Total Money (nominal) %	12.47	11.90	15.71	22.50	21.27	28.60	19.18	26.69	20.22	17.43
Change in Total Money (real) %*	6.25	-1.46	2.88	14.94	10.69	16.14	5.23	8.63	7.94	15.95
Change in Total Money (real) %**	-0.22	-0.05	-0.38	10.21	7.57	3.96	3.46	10.28		
Change in Total Money excl. net claims of Com. + Dev. Banks on Gov. (nominal) %	13.73	9.77	13.85	14.95	25.10	-0.22	39.50	45.83	23.03	20.35
Change in GDP (nominal) %	21.47	17.78	22.56	17.28	19.45	32.46	20.95	20.49	22.04	
Change in Domestic Credit (nominal) %	-4.93	37.64	26.33	14.31	27.83	17.08	32.19	24.42	4.47	14.18
Inflation Rate %*	5.85	13.56	12.48	6.57	9.55	10.73	13.26	16.63	11.38	1.27
Inflation Rate %**	12.71	11.96	16.16	11.15	12.74	23.70	15.20	14.88		
Deposit Rate				6.5	7.5	7.5	7.5	7.5	7.5	7.5
Lending Rate				10.25	13	13	13	14.5	14.5	14.5
in %										

* Consumer Prices

** GDP Deflator

Source: IMF, International Financial Statistics, Yearbook 1987.

TABLE 2.3

Comparative Levels of M_2 /GDP, 1984

Country	GNP/capita (\$)	M_2 /GDP (%)	Quasi Money/GDP (%)
Cameroon	820	20.8*	10.2
Other African Countries:			
Zaire	140	18.9	1.4
Kenya ^b	340	27.0	10.0
Senegal	380	28.3	9.4
Ivory Coast	610	29.0	9.0
Nigeria	730	37.5	15.9
Zimbabwe	760	29.1	16.1
Other Developing Countries:			
Indonesia ^b	560	20.0	10.0
Morocco ^b	760	44.0 ^c	10.0 ^c
Philippines ^b	760	25.0	17.0
Thailand ^b	820	48.0	39.0

* M_2 excluding net claims of commercial and development banks on Government^b 1983 data^c 1982 data

Source: IBRD, Cameroon Financial Sector Report, June 1986; IMF International Financial Statistics, Yearbook 1987; World Development Report 1986.

The reasons for the relatively low level of financial intermediation are partly to be seen in the field of monetary-policy in combination with the franc zone monetary system. Interest rates in Cameroon have been consistently negative in real terms and, also in nominal terms, well below international – and specifically Paris – rates. Thus, with a fixed exchange rate to the French Franc and practically zero exchange costs, savings flow to foreign markets and the domestic financial system, deprived of those funds, remains underdeveloped. Moreover, to the extent that enterprises, particularly large or expatriate firms have access to the more efficient and diversified services of the Paris market, the development of such services, and financial intermediation generally, tends to be hampered.

There are also institutional factors, in particular the weak representation of financial institutions and inadequate supply of financial instruments in Cameroon's vast rural areas; and, partly as a result, the informal financial sector has been strong and growing in importance. Moreover, the demand for credit in agriculture is relatively low and stagnating for a whole range of reasons; they will be discussed in Chapter 3. Chapter 4 will deal with the weaknesses of rural financial institutions and their impact on financial intermediation.

3.

AGRICULTURAL DEVELOPMENT TRENDS AND CREDIT DEMAND

Agricultural credit demand depends to a large extent on the development of agricultural production. In the following, major production trends, constraints and prospects will be analyzed to provide a basis for assessing future credit demand for agriculture.

The main production objectives of the 5th Plan especially in the export sector have not been achieved. Nevertheless, overall production growth might still be considered satisfactory.

Exports have been maintained more or less at their 1981/82 level with the exception of Arabica Coffee where they declined by 22 per cent between 1981/82 and 1984/85. Perhaps more importantly, food production has kept pace with the demand of the growing population providing a generally satisfactory nutrition level and avoiding large food price increases.

However, major structural and institutional reforms of the 5th Plan have hardly been initiated and are far from being achieved. Essentially the same objectives are being defined for the 6th Plan which looks therefore somewhat like a twin-brother of its predecessor. Its objectives are

- to develop production along previous trends aiming at a modest acceleration of export crop production and an increase in food crop production along with domestic demand growth, and
- to implement the major institutional reforms which have

been planned in the 5th plan period.

3.1 AGRICULTURAL PRODUCTION

Total production of *export crops* between 1981/82 and 1984/85 was 10-50 per cent below planned production (see Table 3.1) The degree of plan achievement varies widely by crop. Except for Robusta Coffee the growth rates of all other crops for the first 4 years of the 5th Development Plan lagged significantly behind planned growth rates. Most importantly the production of Arabica Coffee performed poorly; in 1984/85 it reached its lowest level since 20 years, declining by almost 38 per cent in the last seven years. But also cocoa, rubber, tobacco and banana production remained far behind expected growth. Poor performance is mainly due to overaged plantations, low producer prices and as a result, lack of incentives for farmers to devote resources to export crops, particularly in areas where export crops compete directly with food crops.

TABLE 3.1

Production of Export and Agro-industrial Crops during the First 4 Years of the 5th Plan

		1981/82	1982/83	1983/84	1984/85	accumulated realization
		tons				accumulated objectives in %
Cacao	P	123.155	127.247	131.050	134.966	87
	R	118.345	105.153	106.050	120.081	
Robusta	P	82.471	84.292	86.153	88.050	103
	R	84.210	105.250	52.000	110.700	
Arabica	P	28.255	30.488	32.896	35.496	65
	R	25.076	22.812	17.000	19.000	
Cotton	P	89.228	97.651	106.870	116.959	84
	R	79.819	72.368	94.580	97.502	
Paddy	P	58.492	70.278	86.859	105.846	116
	R	73.429	94.964	103.065	111.113	
Palmoil	P	69.061	75.758	83.103	91.161	90
	R	70.512	71.523	64.897	82.240	
Caoutchouc	P	18.639	19.428	20.250	21.107	86
	R	17.704	16.181	16.140	18.420	
Tea	P	2.064	2.143	2.226	2.226	95
	R	2.131	1.801	2.102	2.300	
Banana Export	P	68.226	75.069	82.599	90.884	51
	R	47.581	50.851	56.548	59.000	
Ananas	P	6.466	7.299	8.240	9.302	47
	R	2.500	2.200	4.800	5.260	
Sugar	P	66.136	71.432	77.151	83.328	88
	R	65.259	67.700	58.746	71.000	
Tobacco	P	1.800	2.200	2.400	2.600	81
	R	1.707	1.727	1.814	2.044	

Note: P Planned
R Realized

Source: 5th Agricultural Development Plan; October 1985 and own calculations.
MINAGRI, Bilan du Secteur Agricole.

The preliminary data for the forthcoming 6th Plan indicate that no drastic changes are expected in export production in the next five years. However, a considerable effort is planned to stop the downward trend in cocoa and Arabica coffee production and to overcome stagnation in the production of other crops. Modest growth rates between 2 and 5 per cent p.a. are aimed at for the major export crops (see Table 3.2). Special

efforts are also planned to increase the production of minor cash crops like rubber, ananas and tea. Additional credit demand is to be expected for renewal and expansion of plantation and for increased use of fertilizers and sprayers.

Growth rates reported for *traditional food crop* production during 1980/81-1984/85 vary widely and are not reliable. The best indicators for production development in relation to market demand in this sector is the price development. It is evident that production growth was sufficient to meet the rising demand, thus avoiding major price changes or increases of imports, except in 1983/84 when the drought caused a drastic decrease of production leading to shortages of food. Food shortages affected especially the densely populated areas and urban centers of the North, where even in normal years food shortages occur and nutritional standards are low. In other areas supply and demand in urban markets are roughly in balance. The markets are reported to provide a satisfactory supply of food at prices which still lead to depressed per capita income levels for the rural population as compared to the population employed in the urban sector. Also in rural areas the basic nutritional needs are largely met, as reported by farmers under the mission's field enquete and as shown by a study by Seda - Idet - Cegos, (*Etudes sur la connaissance des besoins des agriculteurs au Cameroun*). Therefore, on the basis of all evidence it appears reasonable to conclude that achieved production growth rates for the various food crops were in the order of magnitude of 2-4 per cent. Marketed supply has probably grown with higher growth rates of between 5-6 per cent roughly in line with increases in urban demand. This assessment is shared by the 6th Plan which projects that production growth of traditional food crops will follow the increase in demand at rates varying between 2 and 4 per cent annually (Table 3.3.). It is reasonable to assume that credit demand of this sector will move along with production.

TABLE 3.2

Planned and Realized Growth Rates of Export Crops

	Growth rates ¹⁾		
	5 th Plan period planned	realized ²⁾	6 th Plan period planned
Cacao	3	-2.1	1.98
Coffee Robusta	5.1	13.0	3.4
Coffee Arabica	6.9	-11.4	4.68
Tea	3.8	2.6	7.8
Cotton	8.1	5.0	4.9
Ananas	54.9 ³⁾	28.1	16.0
Rubber	3.3 ³⁾	-0.1	19.25
Tobacco	15.1 ³⁾	5.2	6.85
Banana	24.1 ³⁾	7.4	4.08

1) Average annual growth rates

2) 1980/81 - 1984/85

3) Realized 1980/81 - planned 1984/85

Growth rates based on actual production 1980/81.

Source: 5th Agricultural Development Plan; DEP, MINAGRI, Bilan du Secteur Agricole, October 1985 and own calculations.

TABLE 3.3

Future Development of Demand for Food Crop

Cultures	Demand 1985/86	Demand 1990/91	Average Annual Growth (per cent per year) 1985/86 - 1990/91
Millet-Sorghum	397.991	436.612	1.87
Maize	493.429	622.133	3.73
Rice	91.690	133.339	7.56
Wheat	125.815	164.953	5.18
Sub-total	1.108.925	1.058.745	
Plantains	887.572	1.061.676	1.69
Cassava	506.177	590.339	2.12
Sweet potatoes	181.055	206.525	1.67
Yams	97.861	125.420	1.32
Macabo-Taro	486.880	591.934	2.02
Potatoes	102.347	123.716	3.87
Sub-total	2.261.892	2.699.610	
Groundnuts	187.102	225.794	3.83
Green beans/peas	112.664	140.625	4.53
Pumpkin grains	47.862	56.441	3.35
Sesame	12.649	15.617	2.34
Sub-total	360.277	438.478	
Bananas	189.878	262.961	4.71
Fruits and vegetables	318.406	429.443	4.16
Oil and fat	148.016	180.726	4.07
Sub-total	656.300	873.130	
Total	4.387.394	5.069.963	

Source: 5th Agricultural Development Plan; DEP, MINAGRI, Bilan du Secteur Agricole, October 1985 and own calculations.

TABLE 3.4

Estimated Annual Growth Rates of Demand 1980-1985

(Average annual growth rates in %)		
	Population	Demand
Rural	1.2-2.0	1.2-2.5
Urban	4.5-5.2	
of which		
– traditional food crop	n.a.	4.7-5.7
– cereals incl. rice	n.a.	5-6
– meat	n.a.	5-6

Source: Bilan 2000 revised growth rates according to mission's estimate.

Apart from the traditional food crop sector there is a small “organized” food crop production sector mainly restricted to rice and an almost insignificant amount of small holder palmoil production. Rice production was planned to increase with an annual growth rate of more than 20 per cent. Production actually increased even more, between 1981/82 and 1984/85 it exceeded planned production by 18 per cent. The 6th Plan aims at a continuation of past trends though with a considerably lower growth rate. However, even this lower production growth will meet serious marketing limits under the present policy. This may appear surprising since overall the country's self sufficiency in rice is not higher than 70-75 per cent. However, about 80 per cent of rice production is concentrated in the Extreme North where it faces enormous marketing problems. The high transportation costs to the major consumption centers in Yaounde and Douala render the northern rice uncompetitive with imported rice. At a Government determined producer price for paddy of FCFA 78 per kg the price of rice from SEMRY in Yaounde and Douala is about FCFA 270 to 280 per kg taking into account processing and transportation costs, losses and trade margins. Rice imported

at prices of FCFA 118 per kg has a market price of about FCFA 160 per kg, taking into account duties, transit and transportation costs and trade margins. Until May 1986 the Government has not been able to find a solution to SEMRY's marketing problems. SEMRY holds at present one entire harvest in unsold stocks while the current crop is ready to harvest. In 1984-85 the North was confronted with the paradox situation, that FAO distributed imported food under the food program in order to overcome regional food shortages after the drought, while 150 km away unsold stocks of rice threatened to perish in the yards of SEMRY.

SEMRY's marketing problem needs to be resolved urgently. In the short run there is no alternative to rice production for more than 11 000 farmers in the Extreme North depend on rice for their income, and in two departments rice is the most important crop in the production system. Also substantial investments have been made in rice production, mainly financed by external sources. Two solutions apart from the uncertain prospects of resuming exports to northern Nigeria are being considered:

- (a) direct subsidization of SEMRY's production and marketing. The subsidy would have to amount to FCFA 117 per kg under present conditions to fully cover SEMRY's production and marketing costs.
- (b) the introduction of an "equalization fund" ("Caisse de péréquation") which would be financed by a tax on imports and out of which SEMRY would be subsidized. This approach would involve a modification of the market price which is intended to be fixed as a weighted average of the production and marketing costs of major production regions and of the import price for rice.

The 6th Plan aims for rice production at a continuation of the past growth with a rate of 7.6 per cent per year. Given the serious marketing problems this expansion, implying a production of 164 000 t p.a. in 1990, does not appear realistic

unless the Nigerian market will be reopened. This possibility seems to be rather remote at this time. As a result, assuming a more modest growth rate of 4-5 per cent annually credit requirements for rice production have been estimated to increase accordingly.

Production of *palm oil* until 1984/85 met about 90 per cent of plan objectives. Realized growth rates amounted to 6.5 per cent. The 6th Plan projects to maintain past growth rates. It is unlikely that domestic demand will absorb the projected production increase. The palm oil sector may also run into marketing problems as domestic production is hardly competitive in the world market. Also in this sector credit demand is unlikely to grow significantly.

Sugar production during 1980/81-1984/85 lagged about 10 per cent behind the planned development. The projected increase of production is based on an estimated consumption growth of 5.8 per cent. The average annual growth rate between 1980/81-1984/85 would have to almost triple in order to meet the increase of consumption, implying some additional demand for financing.

3.2 FERTILIZER CONSUMPTION

Financing fertilizer is a major component of agricultural credit demand. In total 105 000 t of fertilizer have been consumed in 1984/85. While the 5th Plan projected an annual growth of 11.4 per cent, consumption actually has stagnated since 1980/81. About 47 per cent of the fertilizer used in 1984/85 was applied to coffee, 20 per cent to cotton and 15 per cent to food crops, especially rice.

About 33% of all farmers used chemical fertilizers in 1984 (Agricultural Census 1984). The majority of them received fertilizer through a development organization or cooperative on credit which is extended at the time of fertilizer delivery and

collected with the marketing of products. The total sum of credit extended in 1984/85 amounted to about FCFA 3.4-4 billion for a period of 4-6 months.

The fertilizer market is split into two sections:

- (a) a market for subsidized fertilizer amounting to 61 per cent of total consumption. Major beneficiaries are the small coffee growers in the Provinces West, North West, South West and Littoral, receiving almost 90 per cent of the subsidized fertilizer, and the rice growing farmers of the North organized by SEMRY; and
- (b) a market for non-subsidized fertilizer which supplies mainly the large scale plantation sector and the small cotton growing farmers organized by SODECOTON.

Three institutions are involved in the *fertilizer subsidy* system:

- the ONCPB providing the funds which determine the total available amount of subsidized fertilizer,
- FONADER administering the funds received from ONCPB and distributing fertilizer to cooperatives, development organizations and in some cases also directly to individual farmers,
- MINAGRI organizing the procurement and determining the producer price for subsidized fertilizer. MINAGRI sets a uniform retail price (FCFA 40 000 t in 1984/85) regardless of nutrient content and delivery point.

In this system, MINAGRI determines the level of subsidy per t by setting the retail price. On the other hand, ONCPB decides independently and without proper coordination with MINAGRI about the funds it will provide for subsidization of fertilizer. Discrepancies between the needs and funds provided are inevitable and may force FONADER to reduce the quantity it can supply to farmers. Moreover, the subsidized market is characterized by inefficiencies and inequities in procurement, distribution, product selection and product quality, constraining fertilizer consumption to levels far below its potential.

Because of the time consuming decision process in order to determine the amount of fertilizer to be subsidized and the distribution of it to farmers the availability of the fertilizer at farm level is frequently not secured at the proper time. It has therefore been recommended to phase out the fertilizer subsidies following an increase of the prices farmers receive for their products. (USAID/IFDC Cameroon Fertilizer Study). While the 6th Plan proposes to take a first step in this direction, it is not likely that the present system can be significantly changed during the 6th plan period.

More than 60 per cent of the fertilizer use in 1984-85 has been subsidized. Subsidies are channelled by ONCPB via FONADER to the users; it is mainly consumed for coffee and food crops. Preliminary data for the 6th Plan indicate that consumption of subsidized fertilizer is expected to increase from 64 300 t in 1984/85 to 150 800 t in 1990/91 though subsidies are stated to be reduced. The production benefitting mostly from the subsidy will remain the coffee and food crop sectors. To what extent the targetted fertilizer consumption increase will be achieved will depend largely on the speed with which the fertilizer sector, in particular distribution and marketing, can be reformed. Proposals have been advanced in a major study of the fertilizer sector by USAID/IFDC. In addition the availability of new technological packages in the traditional food crop sector will be a determining factor. Under the present fertilizer distribution system and given that sound, farmer-tested crop packages for the most important food crops will take several years to develop, it is unlikely that fertilizer consumption will increase by more than 3-5 per cent annually requiring an additional volume of credit of FCFA 120-150 mill. annually. The non-subsidized market is expected to grow along with production of the large scale plantation and cotton production. Financing is provided largely by commercial banks.

3.3 MECHANIZATION AND ANIMAL TRACTION

The expansion potential of mechanization and animal traction is an important factor in credit demand. Mechanization generally is still at a low level although differing widely between regions. In the Northern provinces almost 40 per cent of farmers cultivate their land by tractors, cattle or donkeys, while in the South traditional hand tools like axe, machete and hoe are major equipment for land cultivation. Some farmers (less than 6 per cent) use chain saws (see Table 3.5). Sprayers are widely used in the rainforest farms of the southern and eastern regions.

Credit is connected with the development of mechanization in the following major fields:

- sprayers are financed by FONADER via cooperatives. Farmers may buy a sprayer for cash at a price of FCFA 14 500 or on a two years credit for FCFA 15800
- oxen, plows, carts and other implements are financed by Development Organizations (e.g. SODECOTON, North-Ouest Benoue). Amounts extended and terms differ somewhat between Development Organizations. Thus SODECOTON extends for example credit packages of FCFA 198 000 each for 3 years at an interest rate of 10.25 per cent, while North-Ouest Benoue gives credit packages of FCFA 250 000 at 10.25 per cent interest rate for 4 years
- motor pumps can be bought on credit by farmers in the northern provinces
- mechanized land preparation for the cultivation of rice is credited by SEMRY.

The main components leading to growing credit demand are likely to be the increased use of animals or tractors for the cultivation of land, particularly in areas under the guidance of development organizations like North-Ouest Benoue. The number of farmers in the rain forest areas using chain saws are also likely to increase, although no rapid change resulting in a

substantial increase in the demand for credit can be expected.

TABLE 3.5

Level of Mechanization by Provinces

Province	Per cent of farms, using			
	Tractors	Oxen or Donkeys	Chain Saws	Sprayers
Extreme North	2.6	33.8	—	19.0
North	7.1	52.7	—	43.7
Adamaoua	5.2	7.8	0.9	1.4
East	1.5	—	3.9	29.8
Central	1.2	—	3.1	56.6
South	—	—	10.2	56.8
Littoral	—	—	6.6	35.8
South West	—	—	14.1	41.2
North West	0.9	0.4	3.9	15.5
West	—	—	6.4	40.9

Source: 1984 Agricultural Census, Draft April 1986.

3.4 TECHNOLOGICAL INNOVATIONS

Research reports and the experience of successful development organizations, such as SEMRY or SODECOTON, indicate that there is a considerably potential for increasing production in some fields, e.i. rice, maize and to a smaller extent millet and sorghum. While research is trying to develop new technological packages for some food crops, particularly maize, sorghum, little in terms of attractive and tested innovations is available yet for application. For other crops like millet, cassava, sweet potatoes, plantains, groundnuts and legumes research efforts are at best in their initial phase; it will take some years before anything ready for broad application can be expected. Thus, additional demand for credit as a result of widely applied new technological packages can hardly be expected during the 6th Plan period.

3.5 REHABILITATION AND EXPANSION OF CACAO AND COFFEE PLANTATIONS

The old age of plantations of export crops is one of the major reasons for the poor performance of export production. The share of plantations older than 20 years has permanently increased since 1972. In 1984/85 between 38 and 45 per cent of all plantations had passed the age of maximum yields.

TABLE 3.6

Trees Older than 20 Years

	1972	1984
	per cent of all trees	
Cacao	21.5	38
Coffee Robusta	38.4	44.8
Coffee Arabica	31.5	41.6

Only a fraction of the objectives of the 5th Plan with respect to regeneration of old coffee plantations has been realized. The objectives for cacao on the other hand have been almost achieved.

TABLE 3.7

Realization of the Regeneration Program of the 5th Plan

	Objective ha	Realized 1980/81 - 1985/85 (per cent of objective)
Cacao	69 000	96.3
Coffee Robusta	28 000	19.4
Coffee Arabica	28 000	27.0

Source: Bilan de Programmes d'Action de Direction Agriculture.

The 6th Plan recognizes the urgent need to accelerate the regeneration and renewal of tree crop plantations and calls for increased efforts in this direction (see Table 3.8).

TABLE 3.8

*Expansion of Tree Crop Plantations in the 6th Plan
(Total for 5 years)*

	Cacao	Robusta Coffee ha	Arabica Coffee
New Plantations	88 000	30 000	6 000
Replanting of Existing Plantations	12 000	5 000	20 000

Of the new plantations 10 000 ha of cacao and 5 000 ha of Robusta Coffee are to be implemented under the program for the promotion "des exploitations de moyenne importance". The prospects of achieving those targets will depend to a large extent on the Government's willingness to raise coffee and cocoa prices for farmers. Without substantial increases in producer prices the profitability of these crops is marginal and farmers' interest in investing in tree crop production is likely to remain modest.

3.6 STRUCTURAL CHANGES

Structural changes in the traditional sector caused by urban migration and changes in farm size are unlikely to have a significant impact on credit demand. Statistics about farm size show with a slight increase from 1.6 to 1.7 ha no significant change of the farm size structure during the 5th plan period. The small increase of the average farm is well within the margin of error for statistics of this sort. Only 12 per cent of all farms

are greater than 3 ha and almost 45 per cent are smaller than 1 ha.

TABLE 3.9

Farm Size Structure

Farm size (ha)	per cent of total
< 1	44.8
1-3	43.0
> 3	12.2

Source: Agricultural Census, Draft April 1986

The vast majority of farmers in Cameroon cultivate "their" land on the basis of permanently or temporarily granted usufruct without a formal title. Only 2.4 per cent of the farmers hold a title of ownership. With migration of mostly young people to urban areas continuing (as the rapid growth of the large cities indicates) the age of the average farmer has increased from 45 years in 1972 to 47 years in 1984. Some villages in remote areas convey the impression that only old and middle aged people have remained there. Considering the age structure in most villages and the predominantly traditional pattern of land-ownership rapid adoption of new technologies, even if they were available, and connected with it dynamic changes in the traditional sector are unlikely to be seen in the short term. This would confirm that no rapid changes in demand for credit are to be expected within the next 5 years.

Through two programs the Government tries to counteract stagnation, to dynamize the traditional sector and to encourage young people to initiate the modernization of agriculture. These efforts include:

- the program of "promotion des exploitations de moyenne importance" (EMI-program); and

– the young farmers' program.

Both programs, enjoying high political priority, are expected to stimulate through their catalytic effect the modernization of the traditional farm sector. The EMI-program intends to attract private capital and modern technology into the rural sector for the installation of medium sized individual farms which will be considerably larger than traditional peasant farms but smaller than the plantations of the public sector (see Table 3.10). The successful operation of these farms should provide through its demonstration effect a stimulus for the modernization of the peasant sector. Farm sizes under the program are expected to range from 2 ha - 100 ha, depending on natural conditions and the crops to be cultivated. The minimum of individual capital contribution ranges from FCFA 2 to 12 mill. The remaining costs are financed by:

- subsidies (land clearing, seed, planting material, plant protection, fertilizer);
- credit with a 15 year maturity at 5% interest (plantations and buildings);
- credit with a 5 year maturity at 8% interest (material and inputs).

TABLE 3.10

Farm Characteristics of the Program "exploitations de moyenne importance"

Provinces	Production	Farm Size	Required Minimum of Individual Capital (mill. CFA)
All	broiler	12 000 broiler per years	4
All	vegetables	3 ha	3.5
South, Littoral, South West	food crops, palm oil	15 ha	2 - 3
Littoral, South West, South, Center	food crops	15 ha	3.5
North West, South West, Littoral	permanent plantation with food crops	2 - 15 ha	1.8 - 2.5
Littoral, South West, Center	cacao	20 - 50 ha	2 - 10
Littoral, South West, Center	robusta coffee	35 ha	10
East, South West, Littoral	rubber	55 ha	12
Extreme North	local food crops	100 ha	12

Source: MINAGRI, April 1986.

More than 3 000 farms are intended to be installed during the period of the 6th Plan. Investment requirements are estimated at FCFA 52 billion to be financed as follows:

FCFA billion

Subsidies	16.8
Credit	27.7
Contribution by Owners	7.5

Apart from serious doubts about the program's social implications and income distribution impact the implementation is likely to face great difficulties. It is hard to see how the required land can be made available, particularly in the densely populated areas and where it is held by traditional village chiefs. Moreover, the creation of a rural "elite" may well form a new class of landlords and sharpen the dualism in land

ownership. It is hardly imaginable that the program will proceed as planned. Therefore, the credit requirements of the program during the 6th plan period are likely to remain behind the projected demand; it might not exceed FCFA 15 billion.

The young farmers' program was initiated in 1977 by Decret 77-430 of October 29. The program aims at the settlement of farms of about 2.5 ha (2 ha permanent or annual export crops like coffee, cacao or cotton and 0,5 ha food crops), cultivated by selected young farmers. Prior to settlement they are programmed to receive agricultural training. A young settler gets subsistence funds of FCFA 60 000 in the first two years and FCFA 30 000 and 15 000 FCFA in the 3rd and 4th year all repayable within 9 years after 6 years grace. The objective of the 5th Plan was to settle 3 000 farms per year but so far actual settlement has fallen short of the 5th Plan targets, except in 1984/85.

TABLE 3.11

Young Farmers' Program - Establishment of Farms 1981 to 1985

1981/82	1982/83	1983/84	1984/85
farms			
962	2082	2239	3271

Source: Bilan de Programmes d'Action de la Direction d'Agriculture.

Major problems are reported to be the insufficient supply of starting capital and financial support, lack of adequate equipment, poor or no extension service and limited access to marketing channels, especially in remote areas of the East and the North.

It is too early to judge the repayment performance under this program. However, it is reported that in view of the difficulties encountered young farmers frequently leave their

settlement when the credit is due for repayment. The young farmers program will certainly be continued since it is considered an important policy instrument for the modernization of the agricultural sector. The Government intends to resolve the problems mentioned above by reorganizing the extension service and raising the subsidy and credit amounts to meet the requirements. 28 000 young farmers are projected to be installed during the 6th Plan period. Past experience shows that this target is set too ambitiously. More likely could be a settlement program for not more than 12 000-15 000 young farmers during the period of the 6th Plan, resulting in credit requirements of FCFA 2.5 to 3 billion, or FCFA 500-600 million per year.

3.7 INCOME DEVELOPMENT AND AGRICULTURAL PRICE POLICY

Average annual income per farm in 1984 has been reported to amount at FCFA 178 000. Farm income is difficult to measure and varies widely between farms. About 50 per cent of all farms (excluding livestock farmers) earned less than FCFA 100 000 per year according to the 1984 agricultural census and less than 15 per cent earned more than FCFA 375 000 per year. Even if the census should underestimate farmers income as the mission's enquete seems to indicate (see Table 3.12), there is little doubt that there is a considerable disparity of income between the majority of traditional farmers in rural areas and those employed in the urban sector.

TABLE 3.12

Income Distribution in Agriculture in 1984

Annual Income (in FCFA)	Agricultural Census per cent of farms	Own Survey per cent of farms
100 000 and less	49.7	11.3
100 000 - 250 000	27.0	8.8
250 000 - 375 000	8.7	9.3
375 000 and above	14.6	70.6

Source: The 1984 Agricultural Census, Draft April 1986 and Own Survey, 1986

The Government aimed already during the 5th Plan period at a better balance between farmers' interests (as prices determine their income), consumers' interests (as prices determine their costs of living) and the Government's interests (as prices influence its budgetary income). The principles of price policy during the 5th Plan have been stated as follows: "The agricultural price policy will not only be subject to national and consumer interests but also serve as an instrument of agricultural incomes policy". It is generally accepted that a price policy providing sufficient production incentives is preferable to a policy of low producer prices combined with input subsidies, both under efficiency and distribution aspects. If the Government were to follow these principles it would need to determine producer prices for export crops at a level covering at least production costs; and provide price support to major food crops if prices (in real terms) were to fall significantly. This would require careful and continuous observation of domestic and foreign neighbouring markets and, if necessary, market intervention.

These policies, if they are interpreted to imply for producers at least maintaining prices in real terms, were implemented only partially. Prices of major export crops increased annually by 8 to 9 per cent between 1980/81 and 1984/85, an increase substantially below the inflation rate (see Table 3.13). Except

for cotton, prices of export crops in real terms fell by 10-12 per cent annually during the 5th Plan period.

The 6th Plan is likely to define the same price policy objectives as its predecessor. The possibility to increase producer prices of export crops exists beyond any doubt. Producers received in 1984 only 1/3 of the world market price of coffee and 58 per cent of the world market price for cocoa. ONCPB and the Government increased their share in the proceeds from export crops when world prices began to rise substantially in 1982/83. Producer prices of coffee and cocoa in 1984/85 accounted for only one third of export prices, the lowest level since 1961 except for cocoa where also in the sixties and seventies similarly low shares were paid to farmers (see Table 3.14). Whether the Government will use the existing possibilities to raise producer prices of coffee and cocoa is difficult to foresee. It certainly would be recommendable. Higher prices would encourage regeneration and expansion of export crop plantations, use of inputs and efficiency in marketing. It would also leave more resources in agriculture and thus reduce the burden on weak institution in input and credit distribution, through which the Government at present tries to channel back those funds withdrawn from agriculture through its heavy export taxation.

The prices of traditional food crops followed largely the development of supply and demand. The Government has tried to influence prices by setting up market organizations, like MIDEVIV or the Office de Céréales. These efforts largely failed and the attempts to determine minimum prices for staple products, like maize, processed manioc or sorghum were also not successful. Thus, it is reasonable to assume, that the development of food crop prices will be largely left to the market, as in the past. It needs to be emphasized, however, that food crop prices are not independent of prices for export crops as net incomes from export crops are the opportunity costs of traditional food crop production.

Thus, with rising prices of coffee and cocoa, certainly production costs and consequently prices of traditional food crops will also rise.

TABLE 3.13

Development of Price Indices

	1980	1981	1982	1983	1984	1985
Index of retail prices	100	110.7	124.9	145.8	162.3	166.6
Cacao Grade 2 ¹⁾	100	103.3	110.0	123.3	146.7	150.0
Robusta Coffee	100	103.1	109.4	121.9	143.8	n.a.
Arabica Coffee	100	102.5	108.8	120.6	138.2	n.a.
Cotton	100	125.0	131.3	146.3	181	n.a.
Paddy	100	100.0	112.7	112.7	112.7	141.8

1) 1980/81, 1981/82 ... 1985/86

Source: BEAC *Sommaire Statistique Economique*, January 1986. Table 8 a and MINAGRI.

TABLE 3.14

Producer Prices and World Market Prices of Major Export Crops, 1961-1985
 (Prices in FCFA per kg; producer as per cent of f.o.b. price)

Year	Cocoa			Arabica Coffee			Robusta Coffee		
	Producer	f.o.b.	%	Producer	f.o.b.	%	Producer	f.o.b.	%
1961	75	104	72	175	202	87	96	142	64
1962	70	113	62	175	205	85	90	142	63
1963	72	117	62	192	222	86	102	155	66
1964	80	90	89	195	235	83	127	149	85
1965	45	97	46	185	230	81	100	115	69
1966	55	127	43	157	214	74	115	160	72
1967	55	153	36	156	210	74	115	166	69
1968	70	201	35	158	218	72	115	156	74
1969	85	196	43	201	276	73	117	197	59
1970	85	144	59	174	263	66	125	204	61
1971	75	128	59	165	248	67	125	208	60
1972	75	224	34	175	284	62	125	209	60
1973	80	227	35	200	296	68	130	256	51
1974	100	277	36	190	324	59	135	261	52
1975	120	236	51	235	457	51	145	404	36
1976	150	303	50	305	936	33	195	819	23
1977	220	527	42	325	1 032	31	250	1 276	20
1978	260	680	38	360	1 001	36	280	812	34
1979	290	637	46	350	787	44	310	761	40
1980	300	493	61	340	844	40	320	744	49
1981	310	635	49	370	704	50	330	575	57
1982	330	640	52	450	704	50	350	728	48
1983	330	612	60	410	1 098	37	390	1 017	38
1984	440 ^a	754	58	420	1 275	33	410	1 270	32
1985	420	1 109	38						

a) Includes a bonus of 30 FCFA

Source: Bilan Diagnostic as reported in Cocoa in Cameroon, Policy and the Economics of Production, Volume I, 1983, page 54, Gagne-Gervais, "Cameroon the Cash Crop Sector: Its Performance and Future Development Possibilities," page 11 and Ministry of Agriculture Statistics.

The price policy for new food crops, like rice and palm oil and for sugar faces important restrictions. Production and transportation costs for these products are higher than world market prices and self-sufficiency in the domestic markets has already been reached or is likely to be reached at the end of the

5th Plan period. Thus, there is little or no room for increasing producer prices, unless new subsidies are introduced.

If the Government were to shift price policy in the direction recommended above, i.e. raising producer prices for export crops and reducing subsidies on inputs, credit and investments, there is no doubt that demand for agricultural credit would increase substantially. Such policy move would raise the profitability of new plantations and provide incentives for investments and input use. In increasing farmers' income and changing farmers' attitude towards credit as the Government's obligation to reimburse part of the heavy taxes on their crops such policy move would likely improve farmers' repayment willingness. The enquetes also confirmed that with higher prices for agricultural products, repayment performance would improve. Some farmers emphasized that they consider credit as a gift which the Government owes them as compensation for depressed prices of their products. Apart from these arguments it is unreasonable to tax agriculture and accumulate funds in ONCPB, which cannot be channeled back into agriculture for lack of suitable institutions. Changes in pricing policies are being discussed already for years and it is reasonable to assume that also in the 6th Plan period only first steps might be taken considering the resistance that is likely to come from institutions, whose income and budget would be reduced. Moreover, with specific measures not being defined it is impossible to project any quantitative impact on credit demand. Therefore the estimates of the demand for credit have been based on the assumption that no significant changes in price policies will occur during the 6th Plan period. Policy changes in the direction discussed above would have the tendency to raise credit demand above projected levels.

3.8 FUTURE DEVELOPMENT OF AGRICULTURAL CREDIT DEMAND

Reliable data on future credit demand by individual development organizations and projects were difficult to obtain. Implementation programs for the forthcoming 6th Plan period were still in their draft stage and subject to possibly major modifications. Instead of aggregating future credit demand by individual programs, it appears at this stage of the 6th Plan discussions more sensible to select the macro-approach and assessing overall credit expansion on the basis of agricultural development trends.

The main factors determining agricultural production development have been discussed above. Serious constraints to rapid production growth include the Government's restrictive price policy for export crops, the lack of technological innovations in agriculture, MINAGRI's weak extension service and inefficiencies in input procurement and distribution. There are no indications that producer prices for agricultural exports will be raised substantially (in real terms). Research to develop technological innovations is under way but it will take the major part of the 6th Plan period before tested packages are ready to be offered to farmers. To overcome the weaknesses of the extension service will require sustained longterm efforts. Taken together these factors imply that agricultural production is unlikely to exceed the past growth rate of 3% to 5% p.a. for the coming Plan period, and with it agricultural credit can be safely projected to expand at similar rates.

A second component to be considered are the Government's special support programs, such as the young farmers and EMI programs. Expansion of credit demand for these purposes has been projected to grow with the speed of the programs' implementation resulting in an annual credit demand of up to FCFA 6 billion.

Finally, credit for social purposes, like education and

housing, is an important component in total credit demand. Its future volume is difficult to estimate. The best indicator of its future potential may be the expected development of rural incomes, as they determine the borrowers' repayment capacity. With agriculture still the dominant activity in rural areas it can be assumed that incomes and thus also demand for these purposes are likely to expand with similar rates of around 5% p.a.

Based on these assumptions total credit for agriculture from commercial banks/BCD and FONADER has been projected to increase in real terms from its 1985/86 level of about FCFA 38 billion¹⁾ to about FCFA 48 billion in 1990/91 at the end of the 6th Plan period. If the young farmers and EMI programs will proceed as discussed above an additional amount of up to FCFA 6 billion would have to be added resulting in an estimated total amount of credit extended to agriculture of about FCFA 54 billion in 1990/91. Depending upon the expected inflation rate credit expansion in current prices would be accordingly higher.

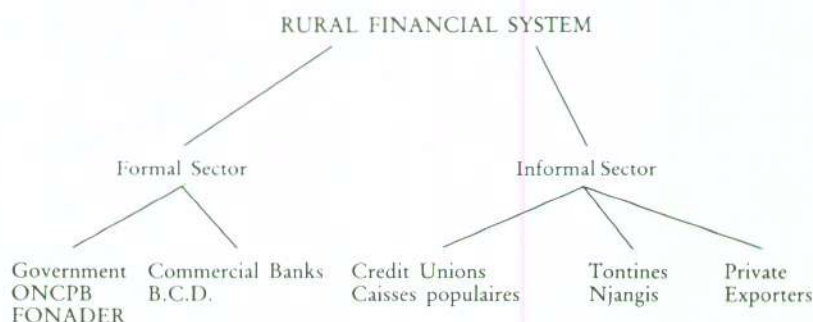
1) The FCFA 38 billion in the base year 1985/86 include a lending of about FCFA 5 billion by FONADER, fertilizer credit of about FCFA 4 billion and commercial bank/BCD lending of about FCFA 29 billion. It should be noted that FONADER's credit commitments in 1984/85 were exceptionally high (three times higher than in previous years). Preliminary data for credit commitments in 1985/86 indicate a level of about FCFA 5 billion. As the base for projecting future credit demand from FONADER the average lending of the last three years has been chosen; it amounts to FCFA 4.7 billion.

4.

THE RURAL FINANCE SYSTEM

4.1 INSTITUTIONAL SET UP

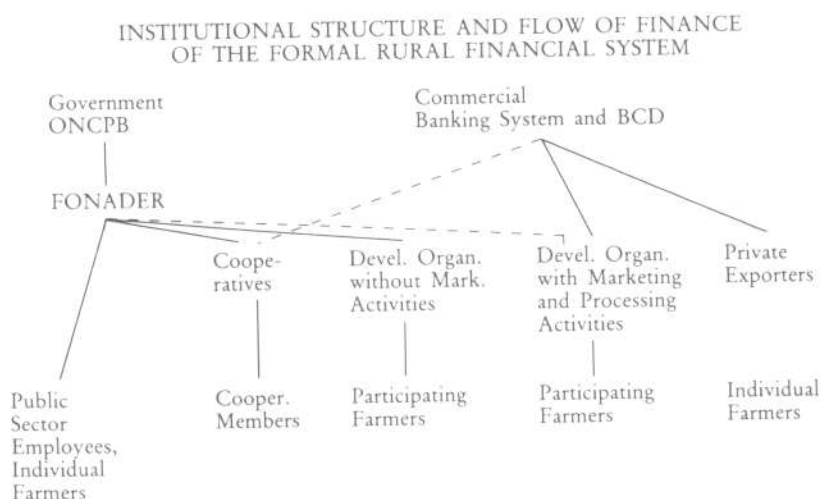
The rural financial system in Cameroon is extremely complex involving a multiplicity of institutions, informal groups and private individuals. Some of these institutions are only incidentally involved in rural finance but, nevertheless, play an important role. One way to categorize the different entities involved would be to distinguish between a *formal sector* including the commercial banking institutions, BCD and the ONCPB/FONADER financial channel; and the *informal sector* including the credit union/caisses populaires system, the rotating savings and credit associations (Tontines and Njangis) and private individuals.



This Chapter in focussing on the credit activities of the rural finance system will discuss mainly the institutions of the formal sector; only briefly will it deal with private traders' credit activities. The following Chapter 5 "Rural Savings

Mobilization" will focus on the informal sector entities, although it will also assess the commercial bank's activities in rural savings mobilization.

The formal rural credit system consists of two major sub-systems operating almost entirely separated from each other. The Chart below shows the institutions involved and the major financial flows.



The subsystems are:

- (i) The commercial banking system and BCD which finance predominantly working capital and investments of those development organisations with processing and marketing functions (e.g. SEMRY, SODECOTON). They also provide credit to private exporters. Both, development organisations and private exporters pass on part of these funds to farmers as short-term credit for input and marketing finance.
- (ii) The Government-ONCPB-FONADER framework through which most of the funds for agricultural development are channelled, both as credit and grants. The most remarkable feature of this subsystem is the fact that it is,

apart from some external funding, entirely financed by the agricultural sector itself. ONCPB mobilizes the resources through export crop taxation and channels them back to the rural sector largely through FONADER but also by direct funding of development organisations and cooperatives.

4.2 ORGANISATION AND FINANCIAL STRUCTURE

4.2.1 *Commercial Banks and BCB*

The organisation, financial resources and use of funds of *commercial banks and BCD* has been discussed above. While their main lending activity is outside the rural sector they are active in rural areas in mobilizing resources as will be shown below and provide substantial amounts of funds for mainly commercial activities in the agricultural sector. In lending to development societies and private exporters they make, indirectly, also funds available for small scale farms.

4.2.2 *ONCPB/NPMB*

ONCPB (or NPMB) has been established in 1976 by merging the two export marketing organisations which Cameroon had inherited from colonial times. ONCPB's principal functions are stabilizing domestic prices of export crops given heavily fluctuating world market prices and marketing of export crops. ONCPB has legal and financial autonomy, but operates under the control of the Ministry of Commerce and Industry. Its mandate was extended by the Decree 78/054 in 1978 to include also:

- to provide financing for agro-industrial and development projects and organisations through participation as shareholder and extension of credit, both based on government

- guarantees;
- to grant subsidies to development projects and organisations;
- to represent ONCPB's interests in development organisations to which it has provided funds; and
- to monitor developments in international markets and to protect the Government's interests in international commodity agreements as specified in the decree.

ONCPB receives its financial resources through its market stabilization activity and from levies on sales made by other exporters. With domestic farm gate prices set consistently below world market prices (see chapter 4) producers are, in essence, heavily taxed on their export crop production. For the exports marketed directly by ONCPB, the difference between export and producer price (minus marketing and processing costs) accrues to ONCPB. In 1983, ONCPB received about 90 billion FCFA from exporting cacao (contributing 45,1% of these funds), Robusta Coffee (43,4%) and Arabica Coffee (11,5%). After deducting marketing costs almost 54 billion FCFA remained available for the replenishment of the stabilization fund and for financing investments and subsidies to agricultural and non-agricultural institutions.

The structure of ONCPB's financing shows a heavy emphasis on equity capital participation. At the end of 1983, participation in development organisations and enterprises amounted to FCFA 22 billion. Subsidies and grants extended during 1982/83 accounted for FCFA 1 billion (a substantial decrease from the FCFA 19 billion in 1979/80); FCFA 20 billion of long term and FCFA 10 billion of short term loans had been extended in 1982/83 (see Annex I Tables 1.3 to 1.5). ONCPB also finances certain public investments outside the agricultural sector. Even with these expenditures, ONCPB has built up considerable liquidity; as of end June 1985 it had accumulated a total of close to FCFA 100 billion in liquid assets, of which FCFA 60 billion were kept as term deposits with commercial banks; the remainder was placed with the

Government. Thus while ONCPB extracts from agriculture considerable amounts of financial resources, it channels only part of them back into the sector.

4.2.3 *FONADER*

FONADER is a public law corporation with financial and administrative autonomy under the supervision of the Ministry of Agriculture. It was created in 1973 as a tool of development policy in order to channel into rural investments - both public and private - a share of the sizable public savings generated by taxation of export crops. *FONADER*'s functions originally defined by Decret No 73/24 from May 1973 were modified by law No 77 of July 13, 1977, which gave special emphasis to credit activities, although other functions like the financing of special development projects and the distribution of inputs remained with the institution. At present, *FONADER* is involved in three major activities:

- administration, storage and distribution of agricultural inputs;
- financing and administering special rural development projects;
- promotion and extension of rural credit.

Input distribution is the most important of these activities accounting for almost half of *FONADER*'s total expenditures. The share of agricultural credit in total expenditures varied between 8% and 20% between 1980/81 and 1984/85.

TABLE 4.1

Importance of Input Distribution and Credit in FONADER's Operations 1980/81 - 1984/85

Years	Total Expenditures	Input Distribution	Credit (Commitments)	Input as % of Total Exp.	Credit as a % of Total Exp.
	in mil. FCFA			%	
1980/81	14 214	7 447	2 178	52	15
1981/82	17 012	7 364	1 950	43	11
1982/83	18 765	10 918	2 200	58	12
1983/84	24 475	12 222	1 989	50	8
1984/85	36 306	14 246	7 083	40	20

Source: FONADER, Rapport d'Activités 1980/81 to 1984/85.

The broad range of FONADER's functions is reflected in its complex organisational structure. With its headquarters in Yaounde and regional branches (one in the capital of each province) it employed in June 1985 a total of 563 staff of which 48% were working in the branch offices. At Headquarters there are five departments each headed by a director:

- Direction de Crédit (DC)
- Direction des Etudes et des Opérations (D.E.O.)
- Direction des Programmes (D.P.R.)
- Direction des Finances et de Comptabilité (DFC)
- Direction des Affaires Générales (DAG)

These five departments are operating under the chief-executive of FONADER, a Directeur Général, and his deputy with staff divisions attached to it, such as Inspection Générale (I.G.), Service Informatique, Chargé de Relations Publiques and other supporting services.

FONADER's Branch Network. In an effort to broaden its operations FONADER has established ten regional branches and 42 mobile offices. The regional branch offices are mainly concerned with rural credit extension and the financing operations of regional development programs, such as FSAR, SEM-RY, Plan Viande and village plantation programs. The regional

branches employ between 18 and 41 staff each, of which less than 10% received an agricultural training. The lack of staff trained in agriculture and agricultural credit severely hampers the decentralization of decision making and loan approval to regional and local levels.

Recently, the regional offices have established mobile units (bureaux périodiques) mostly at department level to broaden FONADER's outreach into rural areas. The number of such units varies between 2 and 7 per Province. Distances from the regional offices range from 130 to 590 km in the Adamaoua Province to 60 to 120 km in Littoral (see Annex III Chart III.2). With large areas to cover they are able to visit most "départements" only one to two days per month; only the 'départements' of Centre Sud have a permanent presence of a FONADER office. This spotty network of FONADER outlets results in an extremely low ratio of mobile unit to rural population. In seven out of ten provinces one mobile unit has to service more than 100 000 rural people. As found in the regional offices also the staff of the mobile units rarely have any agricultural training and most have little experience in agricultural credit operation. Details of FONADER's mobile units are summarized in Annex I Table I.6.

FONADER's Resources. FONADER's financial resources in 1984/85 amounted to FCFA 27.2 billion, an increase of 6,7% over the previous year. The individual sources of funds for the last three years are shown below in Table 4.2.

TABLE 4.2

FONADER-Sources of Finance 1982/83-1984/85
(in FCFA mil. and % of Total)

	1982/83 Amount	(%)	1983/84 Amount	(%)	1984/85 Amount	(%)
1. Own Resources	3 921	(15)	4 758	(19)	4 636	(17)
- recovery of loans	1 379		1 842		1 946	
- interest received and others	1 881		2 265		1 546	
- collection on sales of fertilizer and equipment	661		651		1 144	
2. Subsidies and Loans from the Government	15 292	(59)	12 758	(50)	11 419	(42)
- Subsidy for "Inter- ventions and grants"			11 872 ^{a)}		10 000	
- Subsidy for FSAR			520		500	
- Subsidy for SEMRY					500	
- Subsidy for Village Plantations (SOCAPALM, HEVECAM)			326		158	
- Credit Centre Nord			20		40	
- Credit/Subsidy Plan Viande II					221	
3. Foreign Sources	955	(4)	1 271	(5)	536	(2)
- IBRD (Centre Nord)			201		259	
- IBRD (Plan Viande II)					123	
- IBRD (FSAR)			679		121	
- KfW (Plan Viande II)			321		25	
4. Other Resources ^{b)}	5 761	(22)	6 717	(26)	10 618	(39)
TOTAL	25 929	(100)	25 504	(100)	27 209	(100)

a) Includes technical assistance grant from CNCA and resources transferred from the previous year.

b) These are mainly delayed reimbursements of expenses incurred in the preceeding year.

By far the largest source of funds has been the Government, in 1984/85 about 80%; this includes direct subsidies, and loans and reimbursements of previous years' expenses. Loan repayments, interest income and sales revenues from mainly fertilizers are the other important source of funds with about 18% of the total. Foreign financing played so far a minor role, accounting only for 2% of total funds received.

FONADER's Activities. The relative importance of FO-

NADER's main functions is shown by the following Table 4.3 (see also Annex I Table I.7).

TABLE 4.3

*FONADER - Structure of Budget Expenditures¹⁾ 1982/83-84/85
(in FCFA billion and % of Total)*

<i>Use of Funds</i>	1982/83 Amount	(%)	1983/84 Amount	(%)	1984/85 Amount	(%)
1. Input Distribution	11.8	(62)	13.2	(54)	15.0	(42)
2. Credit	2.2	(12)	2.0	(8)	7.1	(20)
3. Program and Project Financing	1.9	(10)	3.5	(14)	3.7	(10)
4. Others, including administration, interannual transfers	3.1	(16)	5.8	(24)	10.3	(28)
Total	19.0	(100)	24.5	(100)	36.1	(100)

1) FONADER's annual accounts do not reconcile sources and uses of funds. Any excess of funds over use is transferred to a permanent capital fund from which deductions are made in case of a deficit.

Source: FONADER, Rapport d'Activités 1982/83 to 1984/85.

Input distribution is by far the largest item in FONADER's budget expenditures, accounting for more than 50% except in 1984/85. Credit extension absorbed about 10% of FONADER's funds except in 1984/85 when a FCFA 2 billion credit to UCCAO cooperatives and a large expansion of credits to other cooperatives for onlending to members tripled commitments to over FCFA 7 billion, although disbursement rose to only FCFA 4.6 billion. The financing of agricultural development projects accounts on average for slightly more than 10% of total expenditures.

Input distribution is at least in principle an important source of income for FONADER. Inputs are heavily subsidized by the Government: plant protection chemicals for coffee and cacao at 100%, fertilizers at 50%. The buyers are supposed to pay the non-subsidized portion of inputs (mainly fertilizers) to FONADER who is entitled to keep these revenues to finance its operating costs and credit programs. In practice

FONADER was able to collect only a small part of the fertilizer revenues. During 1983 to 1985 the annual collections ranged between FCFA 0.6 and 1.1 billion (revenues for sales of fertilizer, material and implements) equivalent to between one quarter and one third of the amounts payable to it. Nevertheless, as the credit program, for which these funds are available, has been stagnating up to 1983/84 and most credits extended are short – and medium-term, the fertilizer collections have contributed to a substantial accumulation of unused funds by FONADER. At the end of June 1985 FONADER had accumulated a total of about FCFA 20 billion held as deposits with commercial banks as against a total of outstanding loans of FCFA 13.5 billion. While FONADER's role in the overall input distribution is limited, its involvement shows major weaknesses. An audit of these activities pointed out that store management and inventory control were deficient, records and accounts of inputs distributed and costs incurred incomplete and partly inconsistent and amounts outstanding and due not systematically followed up and collected.

Development Projects and Special Programs. FONADER finances a number of rural development projects and special programs partly from external funds (provided by IBRD and KfW) and Government sources. These projects include FSAR, SEMRY, Plan Viande II, Centre-Nord and the village plantation programs of SOCAPALM, CAMDEV and HEVECAM; in 1984/85 a total of FCFA 1.7 billion was channeled to these projects. Special programs include a variety of activities of which the more important ones are the village water supply, young farmers promotion and livestock and food crop support programs.

4.3 RURAL CREDIT CHANNELS

4.3.1 *Commercial Banks and BCD*

The *commercial banks'* and *BCD's* lending to agriculture

is mainly concentrated on financing of marketing, storing and exporting of agricultural products. Lending for agricultural production is almost entirely channeled to large plantations and development organisations with marketing and processing activities. The commercial banks' and BCD's direct contribution to rural smallholder credit is practically nil. However, in lending to some development societies and private exporters they indirectly provide financing to small scale agriculture. The most important channels of commercial bank and BCD funding for small scale farmers are SEMRY and SODECOTON.

4.3.2 *SODECOTON* (Société de Développement du Coton du Cameroun) was established in 1974 as successor to the French Textile Development Corporation (CFDT). The two main shareholders are the Government and CFDT, who also control SODECOTON's management. SODECOTON's responsibility includes:

- the promotion of cotton production through technical assistance and the supply of inputs and credit in the cotton growing areas of the North of Cameroon;
- the purchase and processing of raw cotton and the domestic and export marketing of cotton fiber and other products including oil extraction;
- the promotion of traditional food crops, mainly sorghum, millet, maize, rice and groundnuts through extension, input supply and credit.

SODECOTON's own credit needs financed by commercial banks for the purchase of raw cotton, transport, processing and production inputs in 1984/85 were about FCFA 23 billion. Out of these funds it extended credit to farmers of altogether FCFA 3.24 billion mainly as short-term lending for fertilizers, plant protection and machine services (95% of total credit extended); medium-term credit, accounting for the remaining 5%, was extended for animal traction and installation of young

farmers. SODECOTON keeps a complete registry of its member growers which forms the basis for credit extension, supervision and repayment. Recovery rates for short-term lending are excellent with 98%; in term lending recovery is less satisfactory ranging from 69% of amounts due for equipment to 86% for draft animals and ploughs. Only less than 50% of the credits for the installation of young farmers are being recovered; political constraints prevent SODECOTON from foreclosing on delinquent loans in this category.

4.3.3 *SEMRY* (Société d'Expansion et de Modernisation de la Riziculture de Yagoua). SEMRY is an autonomous development society, established in 1971, whose main shareholders are the Government, ONCPB and the Cameroon Development Bank. SEMRY is charged with the promotion of modern rice cultivation in the irrigation perimeters of the Logone river in the Extreme North. Like SODECOTON, SEMRY is borrowing mainly from BCD and commercial banks. Of the total funds of FCFA 4.2 billion received from these sources in 1984/85 it extended credit of FCFA 3.2 billion to rice-growers for production inputs, cultivation, irrigation and transport services. Repayments and interest are deducted from sales revenues, but recovery rates are lower than in SODECOTON as farmers can more easily circumvent SEMRY as marketing channel. In 1984/85 average recovery rates ranged from 83% to 87% of amounts due.

Channeling agricultural credit through these development organizations is functioning relatively well, although credit extension is limited to their zone of influence. SEMRY and SODECOTON have built up an effective extension service. Together with their tight control over the marketing of crops, which allows them to deduct credit repayments from the farmers' sales revenues, extension and credit operations function reasonably well within these areas. There is little leakage,

and repayment performance is in comparison to the FONADER channel good. Given the weaknesses of FONADER and the lack of alternative sources of credit, development organisations are likely to play also in the foreseeable future an important role as credit channel. However, in the long-term interest of developing an integrated and consistent rural finance system, their activities in agricultural finance need to be judged critically. They are not dealing with the savings mobilization side and offer no financial service other than credit for usually a limited range of activities. Thus, they tend to further the fragmentation of rural financial markets and contribute little to intermediation between savers and borrowers.

Commercial banks are, on the other hand, extremely interested in mobilizing rural savings deposits. Although banks do not report rural savings deposits separately, they are likely to account for a sizable proportion of household savings which in 1984 amounted to FCFA 93 billion. Moreover, interviews with 12 rural bank branches revealed a determined and growing presence of commercial banks in rural areas. The managers of branches in the smaller urban centers, such as Ebolowa, Sangmelima, Melong, and Mbouda, emphasized that their purpose for being in these rural locations was to mobilize savings, notably from coffee and cacao planters. In rural communities served by more than one commercial bank keen competition in the mobilizing of deposits was clearly evident.

Data collected from eight bank branches in six rural population centers provide a basis for judging the relative importance of the different types of services provided by commercial banks in rural areas. A breakdown of the types of credit extended was not available from most of these branches, so only a total figure for credit is given in Table 4.4. It was clear from the discussions with the managers, however, that most of the credit extended by these rural outlets is short term, which is in line with the overall structure of credit within the Cameroonian financial system.

TABLE 4.4

Structure of Savings at Eight Rural Branches of Commercial Banks and Credit as a Percentage of Total Liabilities

<i>Liabilities</i>	<i>(1000 FCFA)</i>	<i>(%)</i>
1. Checking Accounts	1,648,240	13,3
2. Savings	8,457,898	68,0
3. Time Deposits	2,321,000	18,7
Total Liabilities	12,427,138	100,0
Total Credit	3,019,118	24,3

On the passive side of the ledger the most important type of account, by a wide margin, is the ordinary savings account, followed by the various forms of time deposits. The least important in terms of its contribution to total branches' liabilities are the checking accounts. The checking accounts, by and large, are held by local businessmen, while the majority of the savings and time deposits are owned by coffee and cacao farmers.

The figures in Table 4.4 also show the importance of the commercial banking system in the process of transferring rural savings to the urban sector. Beyond an unspecified amount held as a liquid reserve, the balance, most likely on the order of 70% of the total of rural savings held in banks, is transferred to the home office in Yaounde or Douala. That farmers, as a group, were savers in commercial banks, but not recipients of credit was confirmed by nine branch managers who were polled as to whether a certain fraction of their savers expected credit from the bank at some point, or whether savers and borrowers were two distinct groups. Without exception, the nine managers responded that savers and borrowers were two distinct groups and that farmers did not expect to get credit from banks; if they needed credit, they would turn to FONADER.

In addition to their regular rural branch offices, commercial banks also operate a number of limited service outlets on a

part-time basis in smaller communities. Such offices are typically open just one or two days per week. Both BICIC and BIAO, the two banks with the most extensive network of rural branches, also operate mobile banks that visit more remote villages and towns on market days. These part-time commercial bank outlets are upgraded to regular branch offices, if business warrants, and thus represent the leading edge of commercial bank penetration into rural areas.

In summary, the involvement of the commercial banking sector with the rural population is based on the mobilization of farmers' savings. Part of these savings, about 25%, is used to extend short-term credit to businessmen and functionaries in the rural population centers, while the major portion is exported to the major urban centers, which, as has been discussed in Chapter 2 above, include not only Yaounde and Douala, but also Paris and New York. It should be noted that this analysis of the commercial banking system's activity in the rural sector is based largely on data gathered in coffee and cacao producing areas. It is obvious that these generalizations cannot hold for each individual locality, and exceptions may be found, particularly in the North, where much of the banking systems' doubtful loans are held.

4.3.4 *Private Exporters*

With their in some regions significant involvement in export and domestic marketing private traders also appear as channels of credit to agriculture funded largely by commercial banks. There are to be distinguished private *exporters*, who act, in francophone Cameroon, as agents of ONCPB, and private *buyers*, who buy coffee and cocoa from farmers to sell it to exporters or (in some areas of South-West) to ONCPB. Private exporters are involved in the marketing of *robusta* coffee in the Littoral and West Provinces. In other areas

(Center, South and parts of East), practically all marketing is done by private buyers despite a legal monopoly accorded to cooperatives. In the case of cocoa, there are also some private buyers in the Kumba Sub-Division which market about 20 000 tons of produce. In addition about 10% of the cocoa marketed in the Center and South Provinces and at least 50% of the cocoa production of the East Province is commercialized by agents of private exporters; this is legal if the exporter declares the tonnage bought and pays a margin of FCFA 5 per kg to the respective cooperative. Private exporters prefinance all marketing operations in the francophone provinces, with the exception of ungraded cocoa and produce bought by SODENKAM which is prefinaanced by ONCPB.

In purchasing produce directly from farmers, private buyers and exporters often grant loans to them. For this purpose, they usually engage middlemen (known as "factors" which, in their turn, engage "agents". Equivalent to "intermediaires" and "mandataires" in francophone provinces.) The middleman carries the risk of the funds lent by the exporter. Therefore, agents extend credit only to a small number of well known farmers; for each FCFA 15 000 borrowed, he charges a "bushbag" of cocoa worth FCFA 26 000 to 30 000. Private buyers declare to recover 85% to 90% of the money lent implying that they realize a substantial net profit from their lending operations. Although farmers are well aware of the high interest rates charged by private buyers, they still borrow as there is often no alternative source of funds available to them.

Short-term loans during the harvesting period are a most urgent need of farmers and it must be considered a major weakness of FONADER that it does not meet this need.

The amounts lent by private buyers are difficult to evaluate. A greek exporter (CACEP) declared to have lent some FCFA 400 million in 1985/86 only in the Mounogo Division. Tanyim Enterprises in Kumba, which markets about

9 000 tons of cocoa, advanced FCFA 102 million to his agents in 1985/86; Yimo Thimotee, a small exporter based at N'kong-samba (Moungo), also advanced about FCFA 100 million to farmers. Usually, these funds are provided by commercial banks because the "avance en blanc" of BEAC is often not available at the time of the farmers' need for credit. It should also be noted that some private traders extend even medium-term credit. Thus, farmers in the Lom & Djerem Division (East) declared to have received medium-term loans from a private exporter (ECON) for house construction.

4.3.5 FONADER as Credit Channel

FONADER'S Overall Credit Program

Amount of Credit. The importance of FONADER's credit operations in relation to its annual budgets declined from 38% in 1976/77 to 8% in 1983/84, reflecting an increase in input distribution and project financing concurrent with a decreasing volume of credit extension from FCFA 2.4 billion in 1977/78 to FCFA 2 billion in 1983/84. At the same time FONADER accumulated liquid funds in form of commercial bank deposits of close to FCFA 20 billion. With increasing political pressure to expand lending FONADER more than trippled its credit commitments in 1984/85 to more than FCFA 7 billion. This rapid growth was mainly due to a more than FCFA 2 billion credit expansion to cooperatives for onlending to their members (CAFO - Credit) and an increase of almost FCFA 3 billion to individual borrowers (see Table 4.1).

Credit Purpose. About a quarter of all loans outstanding in June 1985 was extended for the expansion maintenance and rehabilitation of commercial export crops, mainly coffee and cocoa and to a lesser extent bananas (Table 4.5). Livestock credits including those made under the Plan Viande Program, are of similar importance, accounting for 27% of the loans.

Lending for food crops including fruit and vegetables was of minor importance with only 7% of all loans outstanding. A major component in FONADER's lending activities is directed to schooling and housing (about 12%) and to cooperatives for their facilities and marketing activities (10%).

TABLE 4.5

FONADER: Loans Outstanding End June 1985 by Purpose

<i>Purpose</i>	<i>FCFA million</i>	<i>%</i>
Coffee	1 762	13
Cocoa	1 109	8
Bananas, Palmoil, other	694	5
Subtotal	3 565	26
Livestock	2 063	15
Plan Viande (I + II)	1 614	12
Subtotal	3 677	27
Food Crops, Vegetables, Fruits	902	7
Animal Traction	1 010	7
Credit for Social Purposes (mainly housing and schooling)	1 612	12
Credit to Cooperatives (direct)	1 362	10
Credit Engine (motorcycles for agricultural services)	402	3
Others	1 056	8
Total	13 586	100

Regional Distribution. The distribution of credits by province is shown in the following Table 4.6. It indicates until 1983/84 a heavy concentration of lending to the areas around Yaounde and the Northern Provinces. The western Provinces (North West, South West and West) were areas with the smallest lending share although they are the Provinces with the highest population density and agricultural potential. The increased share of the West Province in 1984/85 is the result of a large credit commitment to UCCAO cooperatives during that year.

TABLE 4.6

FONADER: Regional Distribution of Lending

	Headquarter Centre Sud	East	Lit- toral	Northern Provinces	West	North West	South West	Total
	%							
1978/79	33	8	8	25	16	3	7	100 2 469
1979/80	33	11	11	25	8	7	5	100 2 056
1980/81	16	10	36	17	9	4	8	100 2 178
1981/82	35	5	19	26	7	6	2	100 1 951
1982/83	28	5	26	22	4	9	6	100 2 200
1983/84	35	4	14	25	6	11	5	100 1 989
1984/85	28	7	5	9	33	9	8	100 7 083

Source: FONADER, Rapport d'Activités 1984/85.

The purpose of credits for agricultural purposes extended within the regions is, as expected, largely determined by the structure of agricultural production. Thus in the Center-South and South West credits for cocoa production play a most important role accounting for 51% of agricultural production credit; in the East, Littoral and West coffee production takes the first place with a share of 76% in agricultural credit; livestock credits including those for animal traction play a dominant role in the Northern Provinces and are important also in the Center-South and North-West. The regional distribution by credit purpose is shown in detail in Annex I Table 1.8.

Lending Terms. FONADER extends short-term credits with a maturity of up to 2 years for mainly production inputs, wage payments, small equipment and school fees. Medium-term credits have a maturity of 2 to 10 years with grace periods ranging from 6 months (for credits to public employees) to 5 years (for credits to cocoa farmers); while these maturities are legally feasible, most term lending does not exceed 5 years. Interest rates for short-term lending are 9.25% p.a. and for

medium-term lending 10.25% p.a. In lending to farmers through cooperatives the same rates apply at farmers' level. The onlending cooperative receives 2% of the loan amount to cover its administrative costs and an additional 2% incentive fee if the debt payments are received on schedule. As will be discussed below these margins are insufficient to cover the cooperatives' administrative costs.

FONADER's Onlending Channels

FONADER extends credit to farmers through the following channels:

- (i) direct credit to individuals and groups of farmers. This includes the categories "Crédit Individuel", GAM (Groupements d'Agriculteurs Modernes) and the young farmers credit program. In future, direct lending will also include credits to the "exploitations de moyenne importance" (EMI);
- (ii) credit to cooperatives both for their own needs and for onlending to their members (CAFO-program);
- (iii) credit to development organisations without commercial activities;
- (iv) credit to development organisations with marketing activities. As discussed above FONADER provides only a minor part of the borrowing needs of these organisations; they receive most of their funding from commercial banks and BCD.

The relative importance of the various channels is shown in Table 4.7.

Direct credit to individual borrowers including farmers and employees of public organisations (such as FONADER and government institutions) and groups of farmers is the most important channel. During 1978/79 to 1984/85 they accounted for an average share of 63% of total credit extended. Credits to cooperatives, both for their own operations as well as for onlending to their members represent with an average 28% the

second largest channel. Credit extension to development societies were of lesser and declining importance mainly because of extremely poor recovery rates. Their share in FONADER's total lending fell to 1% in 1984/85.

TABLE 4.7

*FONADER: Agricultural Credit by Credit Channel
(Commitments, in Mil. FCFA)*

Year	<i>Direct Credit to Individuals</i>				<i>Cooperatives</i>		<i>Development Organizations</i>		<i>Total</i>	
	<i>Credit Individ.</i>		<i>GAM¹⁾</i>							
	FCFA mil.	%	FCFA mil.	%	FCFA mil.	%	FCFA mil.	%	FCFA mil.	%
1978/79	635	26	482	20	426	17	926	38	2 469	100
1979/80	876	43	502	24	652	32	25	1	2 056	100
1980/81	877	40	483	22	413	12	406	26	2 178	100
1981/82	876	45	460	24	568	29	47	2	1 951	100
1982/83	1 001	46	154	7	677	31	367	17	2 200	100
1983/84	1 392	70	245	12	201	10	150	8	1 989	100
1984/85	4 210	60	235	3	2 598	37	40	1	7 083	100
Total	9 867	50	2 561	13	5 535	28	1 961	10	19 926	100

1) Groupement d'Agriculteurs Modernes

Source: FONADER, Rapport d'Activités 1984/85.

4.3.6 *Individuals*

Within the category of "direct credit to individuals" individual loans have consistently increased in importance while loans to groups of farmers (GAM) declined in absolute amounts as well as relative to individual loans. GAM's (Groupement d'Agriculteurs Modernes) are still of some importance in the northern provinces, where no cooperatives exist. A Gam is a loosely organized group, often just the minimum of two farmers, accepting liability for credit repayment. Normally, this is the only link between them, although sometimes they also pool resources through the common use of draft animals and equipment. The purpose of lending to GAMs was to

reduce costs of lending small farms and to improve the repayment rate. In both aspects the program has failed. There are no indications that GAM credits cause less costs and loan recovery performance is even worse than in individual lending. The large size of individual loans for agricultural purposes (close to FCFA 800 000) indicates that the larger farmers were the main beneficiaries. The tendency to lend to larger farmers and public employees was reinforced by FONADER's difficulties in loan collection. It operates on the widely held presumption that these borrowers pose a lower credit risk as compared to smaller farmers. Large farmers are expected to produce sufficient income from commercial crops to be able to service their debts. The loan service obligations of public employees can be deducted from their salaries. (This policy was also confirmed by several regional branch managers). As will be discussed below, the actual recovery performance does not support this hypothesis.

For loans to individuals and members of groups of farmers FONADER depends heavily on the extension service of MINAGRI. The extension service assists in formulating credit applications, assessing credit requests and supervising credit use. Weaknesses in the extension service severely impede FONADER's possibility to reach a larger number of farmers. The extension service is beset by a range of problems which include a weak organization and management, unclear and overlapping responsibilities, lack of trained and qualified staff, weak connection to research and totally inadequate transportation and other facilities as well as extremely low salaries. Perhaps equally important is the fact that the extension service has no attractive, empirically tested, innovation package to offer. Moreover, some development projects and societies have established their own extension service leading to fragmentation of the service, conflicting messages to farmers and friction between the services.

4.3.7 Cooperatives

Role and Functions. Cooperatives play an important role in channeling FONADER funds to farmers. The cooperative movement in Cameroon is practically confined to the cocoa and coffee growing areas in the Western and Southern and to a lesser extent Eastern parts of the country; there are the export crop marketing cooperatives which are of major importance. The SOCOOPEDs of the Northern provinces cannot be considered as true cooperatives; they also do not play any role in marketing of agricultural products. Today, the cooperatives in Western and Southern Cameroon count some 300 000 members (26% of all rural households); they market 30% of the robusta coffee, 81% of the cocoa and 97% of the arabica coffee produced in the country. They sell or distribute fertilizer, plant protection chemicals, agricultural equipment and building material. Most of them also distribute loans and a few offer savings facilities to their members. The Government considers the cooperatives as important instruments of rural development and recent attempts to modify the cooperative law show that the Government intends to strengthen membership involvement and autonomy.

Organisation and Management. Cooperatives in Cameroon have a decentralized management and marketing structure. The smallest unit is the cooperative center (called "section" in South-West, or "independent primary society" in North-West) administered by an elected five-member committee. There are some 2 500 centers in Western and Southern Cameroon. These are the buying points for cocoa (coffee which has to be hulled, is marketed at the cooperative's factory). Several centers which are located in one sub-division form a "section" which also has an elected body. The cooperative itself is administered by a board of directors elected by the general assembly of the society. The board usually appoints a manager for running the current affairs. In the case of the SOCOO-

DERs, however, the manager is appointed by COOP/MUT, the Governments' central supervision department.

Financial Status. The financial status of the cooperatives varies greatly from society to society. UCCAO, for example, exports the coffee of its members directly and pays only FCFA 110 per kg as export levy to the NPMB, thus keeping most of the very substantial export revenues for itself. As a result, UCCAO and its cooperatives are financially strong. SOCOODERs, on the other hand, sell their cocoa to private exporters for export through NPMB. They have to cover their expenses with an officially fixed gross margin of only FCFA 18 per kg. Because this margin is totally inadequate to cover their costs, SOCOODERs are financially in an extremely poor situation; most of them are virtually bankrupt. The cooperatives in the South-West and North-West provinces receive much higher margins in addition to regular grants from NPMB. Most of them are financially sound. The cooperatives of the Moungo-Division are on the way of recovery because the margin for robusta coffee marketing has been raised several times in recent years. The margins are determined by NPMB and the cooperatives have no means to influence NPMB's decision.

Supervision and Auditing. All cooperative societies in Cameroon are supervised by the Department of Cooperation and Mutuality (COOP/MUT) which is part of the Ministry of Agriculture. According to the cooperative law of 1974, COOP/MUT has extensive rights to interfere in the running of cooperatives which, in reality, it does not exercise. It also has to audit the cooperatives at least once a year; many cooperatives, however, have not been audited for several years. In addition CENADEC plays an important role in reorganizing the cooperatives in the South-West, North-West and Lekie. Since 1982 CENADEC has been charged with the promotion of cooperative development in the francophone cocoa zone (SOCOODER's).

Cooperative Credit. As locally based institutions, coope-

ratives are in principle, suitable institutions to reach the small farmer. FONADER (and others) channel loans through cooperatives to these target groups. The main loan categories channelled through cooperatives are:

Kind of Loan	Source of Funds	Average Amount	Interest Rate	Duration
Fertilizer	FONADER UCCAO	differs widely acc.to area	12%	1 year
Sprayers	SODECAO FONADER	15 800	10.25%	2 years
Production	FONADER	300 000	10.25%	5 years
Scholarship	FONADER	20 000	11.25%	1 year
House construc.	FONADER	500 000	10.25%	3 years
Advances	COOPERATIVE	100 000	—	6 months

It should be noted that UCCAO and NWCA receive also, within the framework of development projects (PRDO and MIDENO), funds from external sources (IBRD, KfW and IFAD) which they channel through cooperatives to farmers.

Fertilizer Credit. The cooperatives sell fertilizer to farmers both on cash and on credit. Usually, they add 10% to 12% as interest to the value of fertilizer sold on credit, regardless of the period of the loan, which is generally less than one year. FONADER charges 1% per month of interest if the fertilizer is not paid within three month of delivery (by the end of May 1986 the cooperatives had already paid 74% of the value of the fertilizer supplied in 1985/86). Besides the reimbursement of transport costs the cooperatives get a 10% margin to cover their administrative and handling costs.

Sprayers, used mainly for the treatment of cocoa against phytophthora and scolytes, are bought or financed by FONADER and sold to the farmers through cooperatives (but also through SODECAO, development authorities and extension

agents). Farmers may buy a sprayer at a subsidized price of FCFA 14 500 for cash or FCFA 15 800 on a two years' loan. In 1984/85, FONADER sold some 13 600 sprayers. Of these about 75% are bought by farmers on credit. Credit extension for sprayers is a loosing activity for cooperatives, particularly for those sprayers distributed by SODECAO for which cooperatives are charged with credit recovery as SODECAO and FONADER do not reimburse to cooperatives the costs of credit administration and recovery.

A particular feature of cooperative credit extension are the so called *advances*. These are short-term loans disbursed by the cooperatives to farmers. Funds are normally provided by private exporters, NPMB or commercial banks. Only UCCAO is able to provide such loans out of its own funds. Usually, these loans are disbursed during the months preceeding the cocoa – and coffee harvest when farmers need liquidity to hire workers for harvesting, to pay school-fees and to finance expenses for the celebration of Christmas and New Year. There are two types of advances:

- “avances sur dépôt”
- “prêt coop”

The first one prevails in coffee producing areas. The farmer deposits some bags of unhulled coffee in the cooperative's store and receives an advance of up to FCFA 10 000 per bag. The cooperative deducts the advance from the coffee-payment after hulling; it is, therefore, a loan with only little risk involved for the cooperative. The second type is a loan without guarantee which has also to be repaid at the sale of produce. Both loans are granted without interest. (In passing it should be noted that private buyers even grant loans in exchange for one or several bags of produce to be delivered later; they realize on these transactions substantial benefits, equivalent to 100% interest for three to four months.) Even where they have a monopoly, cooperatives recover not more than 85% to 90% of the advances lent; some borrowers still manage to circumvent the

cooperative marketing channel by selling their produce to illegal traders or under false names. Due to their critical financial status many cooperatives ceased to grant advances to their members, especially in the francophone cocoa zone. It is estimated that up to 20% of the coffee and cocoa produced in the country is not harvested because of lack of advances which prevents farmers to engage the needed harvesting labor.

Cooperatives and private buyers could grant more advances if BEAC (in the francophone area) and NPMB (in South-West and North-West) would release funds earlier than they do at present. The "avance en blanc" for the 1985/86 coffee season, for instance, was released by BEAC to the exporters only in March, while coffee harvesting started already in early December. Thus, the exporters could not advance funds to the cooperatives. In the anglophone provinces NPMB grants 20% (for cocoa) and 40% (for coffee) of the value of the produce marketed the previous year as advances to the cooperatives. Still, these advances are released too late. For example, the advances for the 1985/86 cocoa season were released by NPMB on October 12th only, one month after the first crop.

4.3.8 The "*FONADER Cooperative Member's Credit Scheme*" (CAFO) has been created by FONADER to channel loans through cooperatives to small farmers. The maximum amount for the individual loan is 1 000 000 FCFA, the duration varies from 1 year for education loans to 5 years for agricultural production. Contrary to individual loans, the farmer applying for a CAFO-loan does not need a guarantor. By the end of May 1986, FONADER lent out some 3.2 billion FCFA as CAFO loans. Assuming that the average loan amounts to FCFA 300 000, some 10 000 farmers (3% of the cooperatives' members or 1% of the rural households) may have benefitted from the member's credit scheme. The loans were granted nearly exclusively for school-fees and house

construction. The enquetes confirmed that housing loans represent the most prominent credit demand in medium and long-term category (see also Annex IV).

FONADER assists the cooperatives in training farmers, committee and board members as well as office staff in applying for and administering the loans. A recent decision of FONADER's board of directors fixed the cooperative's remuneration at:

- 2% of the repaid amounts for short term loans (1 year)
- 4% of the repaid amounts for medium term loans (3 years)
- 6% of the repaid amounts for long term loans (5 years).

This remuneration schedule is intended to cover the costs of distribution, administration and recovery of the loans. There is, however, no risk sharing between FONADER and the cooperatives concerning the non-repayment of farmers to their society. Yet, on the basis of experience gained so far, at least 10% of the amount lent must be taken into account as losses due to deaths, dishonesty or shortfalls in production.

As the cooperative bears the entire risk, it virtually loses money on its credit operations. In the past cooperatives recovered more loans from the farmers than they finally paid back to FONADER, using the difference to cover losses they incurred in input distribution, marketing and credit operations as a result of insufficient margins and inefficiencies in their operations as well as a lack of loan supervision and follow-up by FONADER. If FONADER were to recall all outstanding and overdue amounts, most cooperatives would be financially ruined.

With the reduction of the GAM credits, CAFO is practically FONADER's only loan program which reaches the small farmer. There are, however, several constraints which impair its efficiency:

- (i) The scheme implies that FONADER evaluates the credit worthiness of the cooperatives rather than the credit needs of their members. Farmers belonging to "sick"

cooperatives may be excluded from the scheme. As a result, CAFO disbursements ceased in the francophone cocoa zone and never started in the Northern provinces.

- (ii) Farmers' debt service payments can reach 40% of his annual income, a proportion which is too high for many farmers. The problem is directly related to the high taxation of export crops resulting in a low return on cocoa and coffee production. Thus, in years many farmers are unable to service their debts.
- (iii) Despite FONADER's assistance, many cooperatives are unable to administer the loans properly.

To ease these constraints mentioned above two groups of measures would need to be taken: *one category* would be aimed at strengthening the cooperatives and thus raising their credit worthiness. These would need to include:

- (i) freeing cooperatives, particularly the SOCOODERs from undue Government interferences and encouraging membership participation; this would require *inter alia* replacement of state officials by skilled cooperative staff;
- (ii) allowing cooperatives adequate margins for marketing, input supply, and credit activities;
- (iii) support in improving their organisational, accounting and operational procedures and staff training;
- (iv) splitting up oversized cooperatives into smaller units;
- (v) creating an interministerial coordination body charged with defining coherent cooperative and marketing policies.

Concerning the Northern provinces it is not realistic to expect that the SOCOOPED's will be able to administer credits in the near future. A solution is likely to require a greater involvement of development organisations or an expansion of FONADER's network to reach individual farmers directly.

The *second category* of measures would have to deal with FONADER's lending procedures. These measures would need to include:

- (i) a more appropriate evaluation of a borrower's credit worthiness and repayment capacity, taking into account his other payment obligations such as school-fees, membership in njangis, etc. as well as his proven savings capacity. This would require that prospective borrowers as a precondition for receiving a loan would have to demonstrate a regular savings performance;
- (ii) establishing investment models for house construction according to the traditions in the various parts of the country. Maximum loan amount and maturity of loans should be aligned with those models;
- (iii) secondment of FONADER staff into cooperatives assist in loan administration and supervision and training of cooperative staff;
- (iv) designing an attractive incentive scheme for good repayment performance.

4.3.9 *Investment Loans.* FONADER also grants investment loans to cooperatives. The main purposes of these loans are the acquisition of transport facilities, buildings and equipment. The loans have a duration of 3 to 5 years; the interest rate is 10.25% p.a. By end of May 1986, FONADER granted a total of 1.3 billion FCFA as investment loans to cooperatives.

It is difficult to assess the real need of investments for coopératives. A recent study ("Etude sur les coopératives de la zone cacaoyère", Shillinglaw/Schwettmann, Mars 1986) evaluated the investment needs of the 15 cooperatives in the francophone cocoa zone at FCFA 1.4 billion over a 5-year-period. Investment needs of the nine cooperatives of the Mounjo Division will be determined by a study to be conducted by CCCE. The six societies affiliated with UCCAO should be able to self-finance their equipment, while the cooperatives in South-West and North-West receive regular grants for equipment from ONCPB. There may be a need for

equipment of the four SOCOOPEDs of the East. In general the major determinant of investments in the cooperative sector will be the expansion of export crop production and the cooperatives efficiency. The growth of export crop production is largely dependent on the Government's pricing policy. If no major modifications were to occur during the next Plan period, production growth and related to it new investment demand is likely to be modest. Moreover, better utilization of presently underutilized equipment would, if new investment needs are carefully examined under this aspect, further reduce new investment needs somewhat below expected production growth.

4.4 DEVELOPMENT ORGANISATIONS (SOCIÉTÉS DE DÉVELOPPEMENT) AS CREDIT CHANNEL OF FONADER CREDIT

Apart from development organisations involved in agricultural marketing there are agricultural and rural development organisations and projects which also play a role in credit extension in their zone of influence. Normally they carry development responsibilities for certain regions where they also act as credit intermediaries channeling funds they receive from FONADER but also from ONCPB, foreign sources, commercial banks and the Government to farmers. They are generally established through a presidential decree and operate under the supervision of the Ministry concerned.

4.4.1 *ZAPI de l'Est (Société Régionale des Zones d'Actions Prioritaires Intégrées de l'Est)* has been created as an integrated rural development authority during the sixties. It has the status of a public commercial enterprise. In its area of responsibility, which include only parts of the Eastern Province, ZAPI

markets cocoa and coffee. Until 1983, ZAPI acted also as an exporter. As it ran very heavy losses in exporting, it gave up this activity. Today, ZAPI sells the coffee and cocoa it purchases from farmers to private exporters. Besides export crop marketing ZAPI took on a large number of other activities, such as extension service, infrastructure development, health service, food-crop marketing, and others.

As co-operatives do not extend credit in zones where ZAPI is present, FONADER channeled membership loans to small farmers through ZAPI. From March 1977 until June 1985, ZAPI received FCFA 760 million as membership loans, of which FCFA 379 million were short-term loans (less than one year) for school-fees and fertilizer. Based on an average amount of 300 000 FCFA/loan for long-term loans and of 50 000 FCFA for short-term loans, some 8 800 farmers may have received loans, most of them repeatedly. ZAPI set up a strict 'joint liability' recovery system: if a farmer does not repay his loan, ZAPI deducts the instalment due from the cash crop revenues of *all* farmers of the village to which the farmer belongs. Due to a bad repayment performance of ZAPI vis a vis FONADER (not necessarily of the farmers vis a vis ZAPI), FONADER discontinued lending to ZAPI in 1982. According to ZAPI it owes FONADER more than FCFA 300 million (40% of the amount disbursed). Only in 1985, upon a special request of ZAPI's General Manager to senior FONADER staff was a new short-term loan granted. ZAPI applies the usual FONADER interest rate of 10.25% p.a. on education loans, but calculates interest for one year, although the farmer usually repays within 4 to 5 months. This results in an effective interest rate of 25% p.a.

4.4.2 *MIDENO* (North West Development Authority) has been founded in 1981 to coordinate existing public services within the framework of an integrated rural development program. *MIDENO* collaborates closely with the North West Co-operative Association (NWCA), the Provincial Agricultural Services and FONADER. One of *MIDENO*'s responsibilities is the implementation of a credit scheme for small farmers; there are six different loan categories the farmer can apply for:

<i>Kind of loan</i>	<i>Maximum Amount</i>	<i>Duration</i>	<i>Interest rate</i>
Establishment of Coffee Plantation	380 000	5 years	10.25%
Sprayers	15 000	2 years	9.25%
Coffee Pulper	30 000	5 years	10.25%
Fertilizer	acc. to area	1 year	9.25%
Food Crops (Maize/Beans)	6 000	1 year	9.25%
Coffee Maintenance	acc. to area	3 years	10.25%

Financing for *MIDENO*'s loans is made available by IFAD, KfW and FONADER. Except for small amounts disbursed in cash for coffee maintenance, all loans are disbursed in kind according to a detailed scheme ('packages'). The loans are disbursed through the primary cooperative societies (CPMS). To supervise the loans, *MIDENO* employs 9 'credit supervisors' and 64 'credit agents'. Up to now, FCFA 158 million have been disbursed; *MIDENO* estimates that some 3 700 farmers received loans. FONADER established a special 'MIDENO-FONADER Credit Component' in its Bamenda-Branch which releases the loans to the primary societies.

Progress in *MIDENO*'s credit component has been slow due to important weaknesses, including:

- (i) The eligibility conditions set up by KfW and IFAD were overly restrictive so that most farmers were excluded from the scheme; as a result, it was FONADER who released more than 80% of the funds disbursed so far.

- (ii) The primary societies are overburdened by the administration of the highly complicated loan scheme. Most of the primary societies employ only one permanent secretary.
- (iii) The costs of loan disbursement amount to 191.2 million FCFA, that is 20% more than the total amount disbursed. The costs of recovery and recovery rates are not yet known, as the credit scheme started only in 1984.
- (iv) Neither the unions nor the primary societies will be able to support the salary costs of the credit supervisors and agents, they are expected to pay. A solution to this problem needs still to be found.
- (v) Finally, it has been reported that farmers are obliged to take loans even if they want to buy fertilizer in cash. This is hardly a promising base for a rapid expansion of fertilizer credit.

These weaknesses have been recognized by a recent evaluation mission, and major modifications of the scheme are being discussed.

4.4.3 *SODECAO* (Société de Développement du Cacao). *SO-DECAO* is a development organisation whose main function is to promote the production of cocoa. It is financed through Government funds and grants loans to farmers out of funds made available by *FONADER*. Loans are extended mainly for sprayers, in earlier years also for schooling and house construction; also, loans were granted to villages for cocoa marketing sheds. The conditions to obtain a loan were similar to the ones stipulated by *FONADER* for members loans, but in addition, *SODECAO* asked the farmer for a personal contribution of 20% of the investment. The interest rate was fixed at 20%, of which 5% was for *FONADER*, 6% for *SODECAO* and 8.5% for a loan guarantee fund administered by *SODECAO*. In case of non-repayment of an individual loan, *SODE-*

CAO ceased all assistance to the farmer concerned. Furthermore, the five-men-committees in charge of loan recovery did not receive any remuneration if the rate of overdue loans reached more than 5%. SODECAO granted some FCFA 355 million between 1974/75 and 78/79. During the first two years of the operation, the loan recovery rate varied between 90% and 100% and then deteriorated rapidly, mainly because the SOCOODER cooperatives took over the marketing operations from SODECAO, with the result that the latter could not any more deduct instalments from cocoa sales. However, SODECAO managed to recover some 61% of the total amount lent out.

4.4.4 *SODENKAM* has been established in 1975 to create 'pioneer villages' in the Nkam-Division. Young farmers are settled in newly created villages where most of them plant coffee and cocoa which is marketed by *SODENKAM* and then sold to NPMB. It was only in 1977 that *SODENKAM* obtained some short-term FONADER loans (FCFA 62 million) for the distribution of fertilizer. Since then *SODENKAM* has stopped all loan disbursements because it considers that the risk of non-repayment by farmers is too high. *SODENKAM* does not even accept the distribution of fertilizer on credit which it receives on a loan basis from FONADER.

A number of development organisations such as the Center North and North East Benone projects, FSAR, the Plan Viande, HEVECAM and SOCAPALM extend credit to farmers out of grants or subsidies received from FONADER. For the purpose of establishing overall financing needs for agriculture these amounts are included in FONADER's financial requirements. To what extent these funds are channelled to farmers in form of credit, subsidies and grants and to what extent they serve to finance rural infrastructure is difficult to establish. Moreover, for some funds extended as credit recove-

ry follow up is so weak or not pursued that they are de facto more appropriately counted as grants.

4.4.5 Loan Recovery. The recovery performance of FONADER is extremely poor but varies widely by credit channel used. Of the total credit outstanding at the end of 1984/85 of FCFA 13.6 billion more than FCFA 5.8 billion or 43% were overdue. While the data show an improvement over the preceeding years, when this rate had reached 50%, it does not reflect an improved recovery performance by FONADER; it is mainly the result of a rapid expansion of lending in 1984/85, for which debt service payments will become due only in later years. The development since 1980 is shown in the following Table 4.8.

TABLE 4.8

*FONADER: Credit Outstanding and Overdue
(at end of fiscal year, June 30)*

	Total Outstanding at end June (1)	Amount Overdue at end June (2)	Overdue as % of Outstanding (2) : (1)
	FCFA billion		
1980	6.9	2.7	39
1981	8.0	3.3	42
1982	8.5	4.0	47
1983	9.8	4.9	50
1984	10.3	5.1	50
1985	13.6	5.8	43

Source: FONADER.

Recovery rates for individual years taking into account the overdues of preceeding years are even lower; for all lending

they were 25% during the last two years. The worst performing credits are those to private societies which have almost ceased to repay at all, followed by GAM credits and credits to development organisations. The better performing categories are credits to mainly public employees (credit engine and credit social) and (except for 1983/84) those extended under the Plan Viande programs. The latter, however, show a declining trend. The recovery rates by category of borrowers are shown in Table 4.9.

TABLE 4.9
FONADER Recovery Rates 1980-85

	1980/81	81/82	82/83	83/84	84/85
Credit Individuals	17	20	18	25	26
Credit Cooperatives	33	27	15	41	31
Credit Plan Viande	61	61	43	15	42
Credit GAM	27	26	17	13	14
Credit Private Organisations	14	54	9	6	2
Credit Development Organisations	50	40	45	19	12
Credit Engine	56	41	42	72	58
Social Credit	—	—	—	—	99
Total	29	27	21	24	25

Source: FONADER.

The poor recovery performance is the result of numerous interacting factors partly reinforcing each other, of which some are outside FONADER's control. Those which are under the influence of FONADER include foremost deficiencies in loan supervision and accounting, monitoring overdue accounts, informing borrowers of their repayment obligations and sending out regularly reminders with systematic and serious follow up actions. FONADER also needs to increase the margin to cooperatives and other intermediaries to a level that allows them to cover their costs in administering loans. Failing

to do so will continue to encourage cooperatives to hold back farmers' repayments due to FONADER. While improvements in these areas could go a long way in strengthening recovery performance, it must also be emphasized that the Government's heavy taxation of export crops encourages farmers to consider the extension of credit a repayment of part of those taxes to which they feel fully entitled. The field enquetes provided plenty of evidence that this attitude is widespread among farmers. There are also political pressures preventing FONADER from foreclosing on delinquent loans. Finally, the lack of individual land ownership renders the securing of loans extremely difficult. As land in most small scale farming areas is not individually owned but considered common or tribal property which farmers have been given to use, it cannot serve as security in credit operations. FONADER and the cooperatives, therefore, try to secure their loans by collecting repayment obligations through the marketing channels. This system seems to ensure a reasonable recovery only where the marketing can be strictly controlled. Still there are various ways to circumvent the official marketing channel through selling under a different name or through friends and neighbors or to other than the assigned marketing organisation.

4.5 FARMERS' ATTITUDE TOWARDS CREDIT

Studies or data about farmers' attitude towards the institutions of the rural financial system, especially about their integration into the informal financial sector are rare. Thus, the mission found it necessary to complement its review of the formal institutions by field enquetes to investigate farmers integration in the informal financial sector and their attitude towards credit and formal institutions, particularly FONADER. The enquete is described in Annex IV. In this chapter credit issues at the farm level are discussed; the savings side is

analyzed in chapter 3.

About 78 per cent of all farmers of the enquete responded to have asked at some stage for credit. The general attitude of farmers towards credit differs between regions. While farmers in the Rain Forest and western areas stated that credit "is a good thing" to have available, northern farmers tend to be more reserved, especially the livestock farmers belonging to ethnic groups like the Peuhl or Haoussa. The reasons are partly of ethnic origin but seem to reflect also the different institutional structure of the formal and informal sector in the North. Farmers in the North, particularly livestock farmers, are afraid to loose their freedom or independence with taking a credit. To quote a frequently heard response in the North: "One always leaves a part of oneself with the lender or the lending institution". Whether this attitude is due to the absence of an informal financial sector is unclear. The fact is, however, that farmers in the southern and particularly western regions with a well developed informal sector exhibit a more positive attitude towards credit generally, but are critical of FONADER. Farmers in the Rain Forest and the western areas are well aware that their prices are far below world market prices. They mistrust FONADER as an agent of the Government and emphasized "Si le gouvernement veut nous aider, il faut augmenter les prix d'achat de nos produits".

About 20 per cent of the credit applications submitted during the last few years by farmers surveyed have not been approved. The refusal rate differs widely by credit source. In the informal sector (incl. friends) the reported approval rate is high. Credits are approved fast and with a minimum of formalities. In contrast, FONADER in 1984/85 approved only less than 80 per cent of the credit applications according to its own statistics. Credit application is reported to require a complicated procedure which farmers and frequently even the local advisors do not fully understand. The reasons for credit refusal are not made apparent and often farmers stated that

they never heard anything about the fate of their application. The impression among farmers prevails that FONADER credits are given to big farmers, civil servants and their friends and, especially in the North, to merchants.

A particular problem was reported in the North where FONADER is relying largely on the local extension service in granting farm credit. While extension workers are involved in motivating and assisting farmers in credit application, they have no influence over the approval time of an application. Long waiting times – sometimes more than 3 years – without any intermediate feedback from FONADER tend to undermine the confidence between extension agent and his farmers. Moreover, given the low extension density and the lack of means of transportation (in some cases an extension agent is responsible for more than 15 villages without any transportation) a large number of farms in the North has practically no access to FONADER's credit.

Although, based on its low interest rate, FONADER's credit appears cheaper than most of the credits of the informal sector, farmers claim that they are more expensive because of the complicated application procedure and the costs involved in terms of "fees", food, transport and farmers time. Answers like the following, which is reported in the "Etude sur la Connaissance des Besoins des Agriculteurs au Cameroun" were frequently given to the mission: "Pour prendre un crédit FONADER, vous rencontrez beaucoup de difficultés. On demande au planteur son carnet de planteur, son titre foncier, et un avaliseur. S'il prend par exemple 1,5 million il remboursera entre 1,8 et 2 millions, compte tenu des forts taux d'intérêt pratiqués par le FONADER. Mais avant d'obtenir ces 1,5 millions, il aura dépensé au moins 200 000 FCFA dans diverses courses et corruptions: il faut présenter tel papier aujourd'hui, tels autres demain. Sans compter les frais de taxi, la nourriture, la bière, les risques qu'il court. Plus encore, il devra perdre un mois de travail pour toutes ces démarches. Ce qui revient trop

cher. En prenant 1,5 millions, il rembourse en réalité plus de 2 millions: C'est pire que la coxage".

In terms of credit purpose *short term credits* of less than one year for inputs (labour, fertilizer, seeds) and social purpose (education) are the largest categories of total credit demand. The sources of short term credits vary by purpose. Credits for school fees are mainly taken directly from FONADER. Credit to maintain consumption at the end of the annual income cycle are almost exclusively demanded from friends and from institutions of the informal sector. Production credits are extended mainly by cooperatives and development societies.

Medium and long term credits are evenly distributed between the categories "expansion of cultivated area and increasing the productivity of land and labour" and "housing improvement". Major purposes of production credits are the expansion and renewal of plantations, mechanization, especially the purchase of draft animals in the North and chain saws and sprayers in the Rain Forest areas, and irrigation, particularly the purchase of motor pumps in the North. FONADER, development societies and cooperatives are the major suppliers of these credits. Housing credits were largely taken from FONADER and in some cases also from informal sources.

TABLE 4.10

Application and Approval of Credit
Approved Credits in per cent of Applications

	Total	North	Rain Forest	West
Total	82.2	95	65	86.8
FONADER	71.3	94.1	42	77.8
Cooperatives and Development Societies	94.6	96.7	87	100
Bank	87.5	—	75	100
Informal Sector ¹⁾	94.5	—	100	88.9
Friends	100	100	100	—

1) Tontine + Caisse Populaire / Credit Union

TABLE 4.11

Credits According to Maturity (in per cent)

Maturity	Total	North	Rain Forest	West
Not specified	8.4	—	25.0	—
< 6 Months	25.4	25.5	38.6	12.1
> 6 Months - 1 Year	10.5	4.3	18.2	9.1
> 1-5 Years	40.9	44.7	11.4	66.7
> 5 Years	14.8	25.5	6.8	12.1
	100	100	100	100

TABLE 4.12

Credits of Less Than One Year According to Use and Source of Credit (in per cent of total Cameroon)

	Total FONADER	Development Societies	Cooperatives	Friends	Other Informal Credit	Bank	Total
School fees	19.5	11.1	22.2	27.8	11.1	22.2	5.6 100
Consumption	27.2	—	—	4	80	16	— 100
Means of Production	51.1	—	72.3	6.4	8.5	10.7	2.1 100
Labour	1.1	—	—	—	—	100	— 100
Others	1.1	—	—	—	—	100	— 100
Total	100	2.2	41.2	9.8	28.3	16.3	2.2

4.6 SUMMARY

In summary, the agricultural sector is served through two major credit channels of which the commercial banks and BCD channel is mainly focussing on commercial activities and large-scale agriculture while the FONADER channel is intended to serve small farmers. The commercial banks and BCD have adequate funds to provide the credit needed for the sector's commercial and large scale production activities. The credit process is functioning reasonably well. Overall the total amount provided for agriculture was about FCFA 30 billion in 1984-85. Of the credits provided by commercial banks and

BCD a proportion is also serving small scale agriculture, partly through onlending by development organizations (FCFA 5-6 billion) and partly as harvest and marketing advances granted to farmers by private traders and cooperatives. The exact amount of these credits is unknown. FONADER committed in 1984/85 a total of FCFA 7 billion to small scale agriculture. In addition an amount of FCFA 3.5 to 4 billion is provided in form of subsidized fertilizer. Thus, altogether credit totalling about FCFA 40 billion is provided for agriculture.

5.

RURAL SAVINGS MOBILISATION*

In developing a well functioning rural financial system the mobilization of savings is a key ingredient. The experience in many developing countries shows that agricultural credit institutions that are not actively pursuing the collection of savings deposits depend increasingly upon Government funds and subsidies, operate under a lacking discipline of economy and efficiency, and have remained weak institutions providing inadequate financial services to only a few farmers. FONADER, the intended base of a rural financial system in Cameroon, is no exception. It was formed, as many other agricultural credit institutions on the premise that small farmers, being poor, are unable to save and hence are dependent on Government funded credit to finance productive innovations. As will be shown below, there is plenty of evidence that farmers, despite being poor, do save considerable amounts. In fact, one key constraint of building a well functioning rural financial system, it appears, is not the availability of savings but the lack of institutions that offer financial services, including savings instruments, tailored to needs of the rural population. The other major bottleneck is found on the credit demand side, as has been discussed above.

* This chapter is largely based on work carried out by John Gadway.

5.1 SAVINGS INSTITUTIONS

5.1.1 *Credit Unions/Caisses Populaires*

Besides commercial banks, whose savings activities have been analysed above, Credit Unions play an important role in savings mobilization in rural areas, particularly in the anglophone parts of Cameroon. The credit union movement in Cameroon is dominated by the several hundred institutions affiliated with the Bamenda based Cameroon Cooperative Credit Union League (CAMCCUL, or the League), which is now expanding its activities beyond its base in anglophone Northwest and Southwest provinces, toward the West, the Littoral and the South-Central provinces. As of the end of 1985, CAMCCUL's credit unions had mobilized a total of FCFA 6.5 billion from an apparent active membership of 58,600, giving an average amount saved per member of about FCFA 101,400. This compares with a total of FCFA 365 million mobilized from the 23,500 members of the 63 credit unions belonging to the Yaounde based Union des Caisses Populaires de Yaounde, (UCPY). The following Table 5.1 shows these figures in detail:

TABLE 5.1

Total Membership and Savings for Credit Unions by Affiliation

	Unions (No.)	Members (No.)	Savings (FCFA)	Average (FCFA)
CAMCCUL	249	58,604	6,471,590,000	110,429
UCPY	63	23,455	365,424,599	15,580
Totals		82,059	6,837,014,599	

While presently the amount of deposits mobilized by credit unions is still moderate in comparison to those of commercial banks, ie. equal to approximately 2% of the

privately owned savings and time deposits held by the commercial banking system as a whole, (FCFA 344 billion as of January 1985) the real significance of the credit union movement lies in its growth potential. Based on growth realized over the past seven years and considering that the credit union movement has as yet reached only a tiny fraction of its potential membership and taking into account CAMCCUL'S efficient organization, it would appear that the credit union movement in Cameroon has the potential of growing, in terms of inflation-adjusted savings mobilized, at the rate of 15 to 20 percent per year through the end of the century. Table 5.2 shows the growth of total savings mobilized by CAMCCUL's credit unions.

TABLE 5.2

CAMCCUL Credit Unions Savings Growth 1978-1985

Year	Nominal Amount (FCFA mil.)	CPI (1980=100)	Real Amount (1980 FCFA mil.)	% Change
1978	1,366.08	85.6	1,595.89	
1979	1,799.42	91.3	1,970.89	23.5
1980	2,338.52	100.0	2,338.52	18.7
1981	2,939.42	110.7	2,655.30	13.5
1982	3,583.74	125.4	2,857.85	7.6
1983	4,307.51	146.3	2,944.30	3.0
1984	5,328.31	162.9	3,270.91	11.1
1985	6,471.59	179.2 ^a	3,611.39	10.4

^a Inflation rate 1985 estimated at 10%.

Source: CAMCCUL.

Perhaps the most important factor explaining the credit unions' success in mobilizing rural savings is the fact that they are locally based and controlled institutions which have succeeded through their efficient operations to build up members confidence. This together with a large demand for locally available savings possibilities provide a promising base for

further expansion.

Comparing the savings growth of the credit unions with their deposits at CAMCCUL indicates that credit unions contribute to the transfer of resources from rural to urban areas.

TABLE 5.3

CAMCCUL Long Term Liabilities

Year	Nominal Amount (FCFA mil.)	CPI (1980=100)	Real (1980 FCFA mil.)	% Change
1978	240.18	85.6	280.58	
1979	319.00	91.3	349.40	24.5
1980	482.86	100.0	482.86	38.2
1981	607.95	110.7	549.19	13.7
1982	786.50	125.4	635.17	15.7
1983	1,010.92	146.3	690.99	8.9
1984	1,322.22	162.9	811.68	17.5
1985	1,745.022	179.2 ^a	973.84	20.0

^a The CPI for 1985 is an estimate, assuming 10% rate of inflation for the year.

Source: Draft, CAMCCUL Accounts as of 31st December, 1985 and CAMCCUL Annual Report for 1984.

Table 5.3 shows the growth of CAMCCUL's long-term liabilities, which show up as long term assets in the accounts of credit unions. It will be noted that the credit unions' claims on the League have grown faster than members' claims on the individual credit unions. This growth differential may be traced to the surplus position of rural credit unions with largely farming-based membership, which typically are not able to place more than a fraction of their funds in loans to their own members. This may be clearly seen in Table 5.4 which shows the balance sheets, in percentage form, of seven such rural credit unions. This sample was drawn from a number of healthy, farming-based rural credit unions. The rationale in looking at healthy, well-running institutions is that

in such cases the observed data is more likely to reflect the *ex-ante* intentions of the saver-borrowers. Six of the seven balance sheets analyzed show loans to members in the mid-thirty to mid-fifty percent range of member savings. The single example that falls out of this range, number 2, was one of the early participants in an externally sponsored Small Farmer Production Credit Program which attempted to use credit unions as a means of distributing credit to small farmers. This part of the ambitious Credit Union Development Project produced disappointing results, largely because there appears to be very little demand for credit for agricultural purposes among small farmers in Cameroon. As has been shown for commercial banks, rural areas are exporting also through the credit unions financial resources to the rest of the economy.

TABLE 5.4

*Assets and Liabilities of Seven "Healthy" Rural Credit Unions**
(In Percent of Total Liability) 12-31-85

	Credit Union						
<i>Liabilities</i>	1	2	3	4	5	6	7
Shares	—	4.2	1.8	—	1.7	7.3	—
Savings	61.9	80.8	73.2	90.9	85.4	81.8	93.1
Deposits	38.1	4.7	24.9	9.1	12.9	10.9	6.9
League Loans	—	10.3	—	—	—	—	—
Total Liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<i>Assets</i>							
Loans	40.0	65.3	43.0	34.9	58.8	47.8	53.9
Cash	19.7	3.7	6.9	2.2	4.9	0.4	1.7
Bank	16.7	10.3	31.8	—	17.8	14.8	1.8
CamCCUL	32.9	25.4	26.1	66.7	31.9	39.0	50.4
Total Assets	109.3	104.7	107.9	103.8	113.3	102.0	107.8

* It will be noted that all the credit unions in this sample show total assets in excess of total liabilities, indicating a rather healthy capital position.

Source: Annual Reports of seven Credit Unions affiliated with CAMCCUL.

5.1.2 *Informal Savings and Credit Groups*

Informal Savings and Credit groups play without doubt an important role in rural savings mobilization. While no accurate records are available on the activities of these groups, there is plenty of evidence, also confirmed by the field enquetes, that they hold the largest proportion of savings in rural areas. The World Bank's Financial Sector Study estimated that the informal financial sector has in some years accounted for up to two thirds of the total of household savings in Cameroon. Since formal financial institutions are considerably less well represented in rural areas than in cities, the proportion of rural household savings held by the informal sector should be somewhat higher than this average figure. According to the 1986 survey conducted in the Northwest and Southwest (Gadway 1986), 13% of rural households' financial savings were held in banks. Since the majority of the informants in this survey were credit union members, it is not clear how this figure should be interpreted for the sector as a whole. It seems likely that the availability of credit union deposit facilities would depress the statistics on bank deposits. While the data does not permit a precise estimate, it seems reasonable to assume that bank deposits account for between 10% and 20% of rural financial savings on a country-wide basis; since credit unions still reach only a small fraction of the rural population, a total of 25% of rural financial savings being deposited with banks and credit unions is probably the upper limit. In other words, the informal financial sector is likely to account for something like 75% of rural financial assets and obligations. Apart from its size the informal sector also appears to be growing vigorously indicating a rising demand for financial services.

By far the most important of the traditional financial institutions are the rotating savings and credit associations (RoSCA's), referred to in francophone Cameroon as Tontines,

and in anglophone parts as Njangis. A related institution of considerably less importance in terms of amounts of savings mobilized, are the 'country banks' or 'Sunday meetings'. The major difference between the two types of institutions is the fact that the former is a rotating fund which provides all of its participants except the last with some degree of leverage, whereas the latter provides only a deposit facility for savings, which are paid out to all participants at a certain, pre-determined time. The two institutions are alike in the contractual nature and strict regularity of their payment schedules. It should be underlined that both institutions appear to be undergoing rapid evolution as the monetization of the economy continues. More than 70% of the 249 informants interviewed in the 1986 credit union survey reported that, in their opinion, the RoSCA's were more popular now than before.

While tontines exist in many varieties, a typological division based on frequency of meeting and term structure seems useful. One type of tontine meets weekly or monthly, and may have a membership consistent with a cycle anywhere from a few months to two or three years. Such tontines involve short to medium term financial obligations. From the weekly and monthly based cycles there seems to be a quantum jump to tontines based on annual and semi-annual meetings. This type of arrangement is more prevalent in rural areas among individuals receiving their income in large, infrequent installments, such as farmers raising cyclical cash crops, principally coffee and cacao, and, to a lesser extent, rice and cotton.

An attempt to analyze tontines according to term structure is presented in Table 5.5, which contains data on 41 savings and credit associations collected from 39 informants in the South and South-Central of Cameroon. This analysis clearly shows a bi-polar distribution, with less than 7.5% of the sample falling in the medium-term range. The great diversity of structure observed with respect to length of cycle, frequency of meeting, and number of participants made the calculation of

average figures for amounts involved too complex in each case except for annual tontines. Visual inspection of the raw data showed that the amounts involved in the short-term tontines were considerably less than those calculated for tontines meeting just once a year. The average contributed per member per year (FCFA 86,264) multiplied by the average length of the 9 long-term annual tontines found in the sample gives an amount distributed per tontine at each annual meeting of about FCFA 837 000. To put this figure in perspective, it is approximately the construction cost of a modest but solid village home.

The prominence of tontines with a meeting frequency of exactly one year among long-term tontines suggested an alternative typology, which distinguishes between tontines that meet exactly once a year and tontines meeting more frequently. (No tontine meeting less frequently than once a year was observed). This analysis of the same data, presented in Table 5.6, clearly suggests that the annual tontine is a special type. Of the four long-term tontines in the sample meeting more frequently than once a year, two meet monthly, and two meet four times a year. One might be tempted to dismiss the single tontine in the sample with a thirty year cycle as questionable, except for the fact that similar tontines are reported in the literature.

TABLE 5.5

Analysis of Tontines by Term Structure

	Number Tontines	Number Partici- pants	Average Number Participants	Average Length (Years)	Contribution/ Member/ Meeting	Distributed per Meeting
Short	24	383	15.3	0.88	—	—
Medium	3	135	45.0	2.14	—	—
Long	13	329	25.3	9.27	—	—
Annual	9	87	9.7	9.70	86,264	836,761
Other	4	262	65.5	8.40	—	—
Very long	1	30	30.0	30.00	25,000	750,000

Source of Data: Interviews with 39 farmers in South and South Central Cameroon, Spring 1986.

TABLE 5.6

Analysis of Tontines by Length of Cycle

	Number of Tontines	Average Number Participants	Average Length (Years)
I Less Than One Year			
Short Term	24	15.3	0.88
Medium Term	3	25.3	2.14
Long Term	4	65.5	8.40
II Annual			
Long Term	9	9.7	9.70
Very Long Term	1	30.0	30.00

Source of Data: Interviews with 39 farmers in South and South Central Cameroon, Spring 1986.

Important features of the tontine include the goal oriented nature of the savings behavior and the strict regularity of the payment arrangements. Although every participant in a tontine except the last enjoys some leverage – that is, when it is his turn to take the fund, he receives an amount in excess of his contribution up to that point – the credit aspect does not seem to be the most important feature of the institution from the point of view of the majority of the rural participants. For

members of tontines, the act of saving constitutes a conscious step to protect income from consumption, either their own, or that of others in the extended family or circle of acquaintances who may feel they have some claim on their funds. Many informants would explain their choice of savings instrument in these terms. Savings instruments are valued for their ability to protect income from ill-considered or unintended consumption. Tontines provide just the kind of balance between distance and accessibility desired by the rural population. Savings held in a tontine are not readily available for unintended use, but may be made available in case of need through various devices. Some tontines maintain a special fund that can be used for emergency lending. Others have provisions for auctioning the position within the tontine, so that individuals with particularly urgent or unexpected needs for cash may be accommodated. The institutionalization of these procedures provides individual tontine members a degree of protection from third-party petitions for cash. Finally, the fact that the tontine member usually knows well in advance when he will obtain his funds allows him to provide for a 'safe' transition into some high-priority real project, like building a house or paying schoolfees, or into other financial or non-financial savings instruments.

Tontines thrive because they provide a service that is much in demand. Their strength is based on the fact that they form an inwardly oriented, socially cohesive unit. This source of strength is also a major source of criticism of tontines. Tontines have very little institutional contact with one another, which contributes greatly to the fragmentation of the financial system in Cameroon. From a development standpoint, such fragmentation is suboptimal. An efficient financial system requires a degree of integration among the different institutions so that funds may flow easily from surplus units to deficit units with the greatest demand for credit. To the extent that funds may not flow freely among different units in the system, due to

financial market fragmentation, excess liquidity will build up in certain areas, while in others demand for credit will not be satisfied, with the result that real resources will be idled and real growth held below its potential.

The solution to the problem is not, however, to attempt to eradicate tontines. They provide a real financial service much in demand. Nor does the solution lie in the direction of integrating the tontines into the formal financial system, since that would be contrary to the nature of these organizations. An assessment in this respect by the World Bank's reconnaissance mission to Cameroon of November 1985, and supported by others, that these informal savings/credit groups should not be incorporated into the formal sector in order to let them develop in their own way and at the same time complement the services of the formal financing institutions, is probably correct.

Tontines are, however, providing some valuable lessons for any effort to develop the rural financial system. They are the following:

- (i) Their strength testifies to the existence of a strong demand for financial services not being met by the formal financial sector.
- (ii) The extensive participation of the rural population in tontines demonstrates the willingness and the ability of rural people to handle financial obligation involving strict payment schedules extending over a number of years.
- (iii) Tontines do not extend credit to anyone who has not demonstrated his credit-worthiness on the basis of regular savings. A newcomer to a tontine is placed near the end of the cycle, so that his involvement is merely that of a saver. Only gradually, on the basis of demonstrated reliability, will the newcomer be able to move toward the front of the cycle, where credit in substantial multiples of savings is available.

5.2 RURAL SAVINGS PATTERN

An assessment of rural savings behaviour based on field surveys and farm interviews carried out under this study confirmed the findings of the analysis of savings institutions discussed above. Rural households, even when poor, do save considerable amounts. Of all farmers interviewed about their savings activities 40% indicated that they were member of one tontine and 20% belonged to two or more. There are, however, distinct regional differences. Tontines are much more active in the western, central and southern parts of the country where two thirds of the farmers visited were tontine members, while in the northern provinces only 2% saved at a tontine. In many cases the women were members of separate tontines. Moreover, 21% of the interviewed held savings or checking accounts with formal financial institutions. Here again, one can observe great variations in different regions; in areas with higher density of financial services such as those close to urban centers a relative large proportion of savings is held with formal financial institutions; farmers in more isolated areas tend to hold their savings in less liquid, often non-financial, forms, such as building materials, animals or with tontines.

Although reliable data to determine rural households' financial savings rates are difficult to obtain, there are sufficient indications to conclude that farmers save considerable amounts of their income in financial form. On the basis of the enquetes carried out under this study covering 179 farmers in all provinces of Cameroon and two surveys in the Northern provinces including together 980 farm households average savings rates have been calculated. In interpreting these data it should be noted that an accurate determination of farm income through the field enquetes turned out to be difficult, particularly since many farmers were unable to estimate reliably the income received from the sale of food crops, which is the domaine of women. Thus, the propensity to save calculated

from the survey is likely to be somewhat overstated. On the other hand, the margin of error is probably small as also the savings from income of food crops, which accrues to the women, are only partly included in the calculation. Overall, farmers save about 21% of their net income in financial form. The savings rate varies considerably by region. It is with 28% highest in the Western provinces (North-West, South-West and West) where the cash crops coffee and cocoa dominate the production. The average savings rate in the Southern regions (Center-South, East and Littoral) amounts to 23%. The lowest propensity to save showed the Northern provinces with rates ranging between 11% and 13%; this certainly reflects the particularly poor financial infrastructure in the Northern regions as well as the greater tendency among animal producers to keep savings in form of additional animals.

These findings were further supported by data on savings accounts of five rural branches of commercial banks in coffee and cocoa growing areas of the North-West, South-West and Center South. The average savings balances held by farmers were surprisingly large, ranging from FCFA 270 000 to more than FCFA 1 million.

TABLE 5.7

Savings Balances at Rural Branches of Commercial Banks

Bank Branch	Bamenda	Mhouda	Sangmelima	Melong	Ebolowa
Total Savings (000)	2,925,798	598,169	705,000	900,000	618,930
Number of Accounts	9,112	2,000	2,061	1,200	615
Average per Account	321,092	299,084	342, 067	750,000	1,006,391

Any effort to develop the rural financial system has to take proper account of the savings behavior of rural households. From the field enquetes carried out under this study and a household survey of 249 rural households in the North-West

and South-West in early 1986 (Gadway) some distinct savings behavior pattern emerge. Firstly, farmers who receive their income once a year at harvest time like the coffee, cocoa and cotton growers look for deposit facilities where they can keep their revenues for covering expenditures during the course of the year. To that extent their 'savings' are held for providing liquidity. For lack of financial institutions a sizable proportion of this irregularly received income is held in cash at home; about a third of the farmers interviewed keep at least part of their liquid funds at home. Asked why they hold cash under a high risk of loss or danger of unintended consumption by themselves or other family members at home they responded invariably that for lack of financial institutions within a reasonable distance they had no choice. This behavior pattern by itself indicates a strong demand for financial services at village level.

A second feature of observed savings pattern confirms the need for easier access to financial services. As many of the forms in which rural people hold their savings are not readily convertible into cash, farmers are frequently faced with liquidity problems. Efforts to solve these problems involve the resort to credit. In a visit to three credit unions in the North-West and West a random sample of a total of 142 individual ledger cards (a ledger card shows all transactions of a credit union member with the union) was analyzed. Data on savings, deposits, loan balance, and amount of savings held by borrowers at the time the loan was granted was recorded. Of the 142 cards in the sample, 62 showed outstanding loan balances. Of these 62 credit union members with loan balances, only 10 had taken out loans in excess of their savings balances at the time the loan was granted. Of these 10, (7% of the total sample), only two had loans as great as twice their savings, despite the fact that credit union regulations permit loans up to three times savings deposits. The average loan to savings ratio for the 7% who had loans in excess of savings was a only 1.5. To interpret

this finding it must be understood that according to credit union statutes, savings may be withdrawn only upon timely advance notice, usually six month. This provision is necessary if the small financial institution is to be able to use these deposits as a basis for lending. Other non-interest bearing accounts, which may not be used as a basis for borrowing, usually called "deposits", are not subject to this restriction. Many smaller rural credit unions, however, do not offer this type of account. In practice, therefore, borrowing against his interest bearing account is the only practical way a credit union member may satisfy his demand for liquidity. Thus, the analysis of this sample shows that these rural credit union members save to be able to satisfy their liquidity needs. It also indicates that they maintain net savings rather than a net debtor position, i.e. that demand for credit does not appear to be a main constraint.

These savings/borrowing pattern also emerged from looking at individual accounts. Several accounts showed savings deposits and payments into the savings account while at the same time the client had taken credit at a cost exceeding the interest received on his savings. Such use of credit underlines that there is a demand for liquidity, not so much for credit.

Data gathered earlier from wage-earner credit unions in the Southwest permits a comparison between the savings behavior of rural people who receive the bulk of their income in regular instalments with those who receive most of their income in irregular lumps. The workers at Tombel-CDC, largely low-skilled rubber tappers who have migrated from the Northwest, hold 81% of their total savings (FCFA 303,969, on average), in the form of credit union savings deposits, as against only 10,4% in tontines. Cacao farmers in the near-by but relatively isolated village of Matoh, which is not served by a credit union, hold 67,4% of their total savings (FCFA 343,826) in tontines, (referred to in this part of Cameroon as Njangis). This contrast in the structure of savings held by wage

earners, on the one hand, and the cacao farmers of Matoh, on the other, illustrates the liquidity problems facing farmers raising cyclical cash crops, particularly those not served by financial institutions. They have considerable savings, but poor liquidity. They receive the bulk of their income in the form of lump sum cash payments. Since they are also relatively isolated from formal financial institutions, they are forced to hold much of their savings in rather illiquid forms. These two characteristics describe the tontine, particularly as it appears in rural areas. Tontines deal in financial obligations, but these obligations are of a rather illiquid nature when compared with bank deposits, or even credit union savings deposits. The wage earner, on the other hand, while he may have money problems, does not have a liquidity problem, *per se*. For him, a credit union savings account merely represents a good instrument for holding savings in general, over and above what part he needs to hold in liquid or near liquid form.

A further observation made suggests that individuals receiving their income in frequent, regular payments would tend to have a lower average propensity to save than individuals whose income stream was less predictable. This assumption was supported by an analysis of a random sample of 40 individual ledger cards at the Tombel-CDC credit union. Based on this sample, 95% of the members of the credit union have loans, which, when totaled, equal 75% of members' savings. Since CAMCCUL requires that its affiliates keep 25% of members' savings on long-term deposit in its Central Liquidity Facility, we see that the wage earners at Tombel-CDC have borrowed up to the limit available to them. And since their credit union savings balances represent such a large percentage of their total savings, their actual net savings position is considerably less than it first appears. It should be noted that few non wage-earner credit unions approach their lending limit. An examination of seven rural, non wage-earner credit unions showed that the ratio of loans to members to

total savings at these institutions were as follows: 17%, 62%, 40%, 34%, 52%, 47%, and 50%. These small-loan-to-savings ratios are particularly note-worthy when one considers the fact that these year-end figures corresponding to a time when coffee farmers' savings would be expected to be low, and their demand for credit, to pay for harvesting expenditures, correspondingly high. These figures also seem to indicate that the savings balances coffee farmers maintain in rural branches of commercial banks represent, to a large extent, medium-term deposits, accumulated over a number of growing seasons.

The discussion of the savings behavior of the rural population has thus far been based largely on observations made on coffee and cacao farmers, on the one hand, and on rural wage earners. Since these groups form a very large fraction of the total rural population, conclusions based on these observations could well serve as a basis for the determination of general policies vis à vis the rural financial sector. Furthermore, data available from other groups and other geographical areas support the main findings, namely, (1) that small farmers in Cameroon have a high average propensity to save, and, (2), that these savings tend to be held in rather illiquid, often non-financial forms. These include savings held with tontines as well as those invested in building materials (in the western center and southern regions) and in cattle in the North and extreme North. Cattle are valued not only as a source of income (production), but also as a store of value and as a source of liquidity, and hence represent substantial in-kind savings balances for their owners. This may also to a good extent explain why rural herders regularly maintain animals long past the point when marginal costs equal expected marginal revenue. That is, many animals are maintained, some for years, past the point when they make any significant weight gains. While this behavior may seem irrational, or based on ignorance, it may be explained, at least in part, as a rational response to the absence of good alternatives for holding accumulated savings.

In conclusion, the main points concerning rural savings and investment behavior may be summarized as follows:

- (1) Rural households, on average, show a high average propensity to save. Estimates suggest that the typical rural household holds savings valued at FCFA 160 000 or more.
- (2) Savings habits are well developed and goal-oriented.
- (3) The savings instruments available to most rural households are illiquid and low-yielding in nature.
- (4) The evidence from rural branches of commercial banks and credit unions suggests that small and medium farmers will make use of financial savings instruments when available to them.
- (5) Rural households are willing to hold their savings in medium to long term instruments, whether financial or non-financial.
- (6) Based on the net surplus position of the sector as a whole, and on the net surplus position of the typical farm household, and given the relative illiquidity of the savings instruments available to most rural individuals, it appears that credit demand, where it exists, represents a demand for liquidity, rather than a demand for resources above and beyond those already controlled by the borrower. In other words, it appears that the net demand for credit at the small farm household level is low.

The implication of this analysis is that any effort to extend financial services to rural smallholders should be based on the offering of liquid deposit facilities. Given that there is considerable demand for these services, and given the cost structure of financial services in the informal market, it is apparent that a substantial level of financial services could be offered on a full-cost, no-subsidy basis.

6.

CONCLUSIONS

The performance of Cameroon's financial system is strongly influenced by the Central African Franc zone framework. The extremely complex regulatory framework and the monetary policy have hampered the system's ability to mobilize private financial savings. Unlike the situation in many other developing countries the Government does not draw on the banking sector, but rather supports it via large public savings deposited with the banking system. With such heavy reliance on Government deposits and funding from the Central Bank and a monetary policy that has resulted in negative real interest rates for substantial periods, the level of financial intermediation is in relation to its per capita income level extremely low. With the expected decline in oil revenues and thus Government deposits with the banking sector the financial system's low level of financial intermediation is likely to become an increasing constraint to private savings mobilization and economic growth.

The development of a rural financial system in Cameroon has to take account of three fundamental facts. Firstly, credit demand for agricultural production purposes is low and not likely to increase rapidly in the medium term. Secondly, there is a substantial savings potential in the rural areas and, related to it, a high demand for financial services which would absorb potential savings and provide liquidity to rural households during the course of the year. The latter need is particularly pronounced in areas where income accrues once a year at harvest time while the need for liquidity is more evenly spread

throughout the year. Thirdly, there is a substantial demand for credit in rural areas for not directly production related purposes, notably for house construction and education.

Credit demand for agricultural purposes is kept low by a number of constraints. The most important ones include the Government's low price policy for coffee and cocoa, the non-availability of technological innovations, MINAGRI's weak extension service and the inefficient fertilizer procurement and distribution system. In addition, FONADER's organizational, accounting and lending procedures hamper efficient credit delivery to farmers.

The Government's price policy implemented through ONCPB imposes a heavy tax on export crops, particularly coffee and cocoa. In 1985/86 with a f.o.b. export price for coffee of FCFA 1218 and for cocoa of FCFA 833 farmers were paid FCFA 470 and FCFA 450, respectively, i.e. roughly 38% to 56% of export prices. Moreover, producer prices for these crops during the last 5 years have not kept pace with inflation implying declining real incomes for coffee and cocoa producers and decreasing profitability of these crops. As a result, planting of new coffee and cocoa trees and regeneration of existing plantations has been sluggish; a large proportion of plantations is overaged. Without a major increase in producer prices for export crops farmers' lack of interest and neglect of these crops is likely to continue. It should be noted, however, that raising producer prices for export crops will certainly induce substitution effects and thus lead to higher food prices. These interdependencies between the export and food crop production sectors need to be taken into account, as they may limit the freedom of action in raising prices for export crops. How closely the sectors interact is difficult to estimate; this would require an in depth study assessing comparative advantages of food and export production in major production areas.

Delays in the distribution of inputs, particularly fertilizers and plant protection products in the cocoa zone, are a most

serious constraint to increased modern input consumption. Fertilizers are procured on the basis of competitive bidding by the Government's procurement agency, after the prospective demand has been assessed by MINAGRI's provincial offices and aggregated in MINAGRI's head office. This process is extremely cumbersome and time consuming and has consistently resulted in late distribution of fertilizer. On the basis of a USAID/IFDC fertilizer sector study steps are being discussed to rationalize fertilizer procurement and marketing. More efficient fertilizer marketing could have a significant impact on fertilizer use and ultimately credit demand.

Constraints to improved credit delivery inside the FONADER organization concern its excessive centralization, cumbersome credit application procedures, weaknesses in management, organization and accounting, inadequate loan appraisal and supervision procedures and lack of trained and qualified staff. These together with a lack of incentive to recover loans (as government funds are available in sufficient amounts to cover the losses of unpaid debts) and FONADER's inability to foreclose on delinquent loans have resulted in a poor loan recovery performance. Only about 50% of loans and interest due are being recovered. Many of these problems are by now well recognized, and programs to deal with some of them are being discussed. Important measures include staff training in accounting and loan appraisal, processing and supervision, decentralisation of decision making and simplification of credit application procedures. A critical step has been taken in setting up, with assistance of GTZ-technical assistance, an information system which could become a powerful tool in loan supervision and recovery.

However, implementation of some measures will require long-term, sustained efforts, and it will take some time before FONADER can be transformed into an effective rural development bank.

The heavy taxation of farmers through the Government's

price policy seriously constraints all efforts to recover agricultural credit extended by Government institutions. The attitude of farmers considering such credit as, at least a partial, repayment of what the Government has taken away from them is widespread. As long as the present price policy is pursued unchanged, all approaches to develop the rural finance system through FONADER or similar institutions will be faced with serious recovery problems.

The field surveys revealed an almost entire lack of farmers' awareness of new technologies. Agricultural research, while increasing its efforts in recent years with outside assistance, has so far developed little in attractive farmer tested technology packages for major crops, except for rice and cotton. It certainly will take the major part of the 6th Plan period before new innovation packages can be offered to farmers on a broad scale.

Apart from the lack in new technologies there is also little being achieved in spreading existing knowledge to rural areas outside the zone of activity of development organisations. The extension service of MINAGRI is weakened by a range of problems which include an inefficient organisation and management, unclear and overlapping responsibilities, lack of qualified and trained staff, a weak connection to agricultural research and totally inadequate transportation and other facilities as well as extremely low salaries. Some development projects and societies have developed their own extension service leading to friction between the services and conflicting messages to farmers. As FONADER is relying heavily on MINAGRI's extension service in credit extension (outside development organisations and cooperatives), its weaknesses are a serious constraint to credit expansion.

Cooperatives are important intermediaries for channelling FONADER credit to farmers. Their institutional weaknesses hamper credit delivery. To improve the cooperatives' efficiency and credit worthiness they will require:

- (i) greater autonomy and independence from Government interference; particularly for cooperatives in the franco-phone provinces;
- (ii) adequate margins on their input supply, marketing and credit activities; and
- (iii) stronger support in improving their organizational accounting and operational procedures. This would also need to include staff training.

In developing a well functioning rural finance system the mobilization of savings is a key ingredient. Based on the results of extensive field surveys and an examination of the savings mobilization of commercial banks and credit unions in rural areas it can be concluded that farmers, despite being poor, do save considerable amounts.

Commercial banks actively compete in rural areas for savings deposits, including the use of mobile banks in remote villages. Through expanding into rural areas credit unions since 1978 almost quintupled the savings deposits held by their members; in real terms savings increased at an annual rate of more than 12%. Considering that credit unions have as yet reached only a small proportion of its potential membership and taking into account CAMCCUL's organizational efficiency, it would appear feasible that the credit union movement has the potential of mobilizing savings at a growth rate of 15% to 20% per year in real terms. The lesson to be learnt from the efficient operation of the credit union movement is that, to be successful, rural financial institutions must be locally based, self-governed entities; only on this basis can they develop the trustworthiness and integrity which is a precondition for rural savings mobilization.

A further indication of the substantial savings potential in rural areas is the thriving activity of the informal savings and credit groups, the so-called tontines and njangis. Based on surveys conducted in the North and South-West provinces in 1986 it has been estimated that the informal financial sector

accounts for something like 75% of rural financial assets. In their savings activity it is noteworthy that apart from short-term savings mobilization, a number of tontines were found to meet only once a year, indicating a demand also for long-term savings instruments in rural areas.

The field surveys revealed a particular feature of tontines that is important to keep in mind in designing a formal rural financial system. For members of tontines the decision to save constitutes a conscious step to protect income from own (unintended) consumption or that of others in the extended family or circle of acquaintances who may feel they have some claim on their funds. Savings held in a tontine are not readily available for unintended use. On the other hand, in cases of urgent or unexpected need, tontines provide for emergency lending. Thus, they combine protection from ill considered consumption and third-party claims on funds with availability of funds in cases of urgent needs.

Tontines are inwardly oriented, socially cohesive units which are open to contact neither with each other nor with other institutions. It is more than doubtful that they can be integrated into a formal financial system. Tontines are, however, providing valuable lessons for any effort to develop a rural financial system. These include:

- (i) Their strength testifies to the existence of a strong demand for financial services not being met by the formal financial sector.
- (ii) The extensive participation of the rural population in tontines demonstrates the willingness and the ability of rural people to handle financial obligation involving strict payment schedules extending over a number of years.
- (iii) Tontines do not extend credit to anyone who has not demonstrated his credit-worthiness on the basis of regular savings. A newcomer to a tontine is placed near the end of the cycle, so that his involvement is merely that of a saver. Only gradually, on the basis of demonstrated reliability,

will the newcomer be able to move toward the front of the cycle, where credit in substantial multiples of savings is available.

Another feature of rural financial pattern is important for the development of a rural financial system. The less regularly income is received during the course of the year (the extreme being income generated once a year at harvest time) the higher the demand for deposit facilities where revenues can be kept for covering expenditures during the course of the year. For lack of financial facilities providing liquidity throughout the year, irregularly income is held in cash at home under a high risk of loss or invested in illiquid assets against which credit can be obtained. Both demonstrate a strong demand for financial services at village level.

While credit demand for agricultural purposes was found to be limited there was substantial credit demand for social purposes, particularly for housing construction and education. In not generating immediately additional income out of which the loans can be serviced these credits are often considered risky loans. Considering that a savings potential exists in rural areas and that the rural population has demonstrated its ability and willingness to pay regularly amounts into savings funds, lending for these purposes could be developed and founded on borrowers' established creditworthiness on the basis of prior regular and reliable savings performance. Both, the strong demand for financial services including savings facilities and the substantial demand for social credit suggest that these needs can provide a solid base for developing the rural financial system in Cameroon. The question is whether FONADER can be reoriented to provide these established needs of the rural areas either itself or as effective intermediary and support organisation for locally based institutions supplying such services. This should be the direction of FONADER's institutional development.

If FONADER were to focus on providing financial

services to the rural population, it would require expanding vastly its outreach into rural areas. This raises the question whether this should be done through building a FONADER village based branch network or utilizing existing entities. In the western and southern parts of the country using the cooperatives – appropriately organized, strengthened and their staff adequately trained – could be one alternative of extending financial services into the villages. Credit unions and caisses populaires might offer another alternative. In the northern regions where cooperatives and credit unions are practically non-existent or inherently weak FONADER would have to use either other intermediaries, such as development organisations, or branches down to village level.

Using cooperatives would imply a major institution building effort in making cooperatives self-governed, self-controlled societies free from excessive state intervention and control. This would require both a change in Government attitude and policy towards them and a substantial amount of technical assistance and support in strengthening their organization, operations and accounting. They must be allowed to set their margins on input supply, marketing and credit activities at a level that covers their cost of operation. To be successful in rural financial activities they must be locally based and controlled institutions; in many cases where cooperatives cover vast areas this will require splitting up large cooperatives and establishing independent local societies. Furthermore, for their financial activities special training would need to be provided. An important principle would also be the strict separation of marketing and saving/lending activities: the latter must not be misused to cover losses in marketing or other operations. With these measures and adequate support cooperatives could build up the integrity and trust necessary for becoming the local base of a rural financial system.

Credit unions/caisses populaires as locally based self-managed institutions could become important instruments of

the rural financial system. So far, their main areas of activities have been savings mobilization and lending to urban and rural areas, largely for non-agricultural purposes. So far, their savings deposits have exceeded their lending, particularly in rural areas. As has been argued in the report, the reason is most likely a lack of demand for credit. If as a result of changes in price policy, greater availability of sound innovation packages and better agricultural services the demand for agricultural credit should rise, credit unions could also become an important source of agricultural credit. Whether they could become a channel for large outside funding is at this stage of their development uncertain. The credit union movement is still in its formative stage, where strict adherence to its basic principles of self-reliance and self-control is vital. Providing credit unions with large outside funding is not needed at this time and could undermine their self-management principles.

The main problem regions for building a locally based rural financial system are the northern provinces. No suitable village based institutions exist at present. The development organisations SEMRY and SODECOTON are experimenting with an approach under which local groups are being formed and supported for rationalizing input distribution, marketing and land cultivation. These groups might be considered as a basis for building locally formed savings and later lending entities. It must be mentioned, however, that this approach is likely to remain limited to the zone of influence of those development organisations and, thus, not covering the vast areas outside. Nevertheless, it should be worth a pilot effort which, if successful, may be feasible to expand to a wider area.

Other than these approaches there appears to be no other way in the northern provinces than FONADER itself trying to build a branch network with a wider outreach into rural areas. However, this expansion of FONADER can only be recommended to be initiated when its internal organizational, accounting and procedural problems are resolved. Even then it

must be considered a risky approach unless it can be built on absolute integrity and reliability of the staff of such local branches.

Short-term loans at the start of the coffee and cocoa season are an important need of farmers. A substantial part of the crop is presently not harvested because farmers lack funds to hire harvesting labor. A harvesting loan program offered by FONADER through cooperatives would most likely lead to a substantial increase in marketed production.

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Abbreviations

BCD	Banque Camerounaise de Développement
BEAC	Banque des Etats d'Afrique Centrale
BIAO	Banque Internationale de l'Afrique Occidentale
BICIC	Banque Internationale pour le Commerce et l'Industrie du Cameroun
CAFO	FONADER Cooperative Members' Credit Scheme
CAMCCUL	Cameroon Cooperative Credit Union League
CENADEC	Centre National de Développement des Entreprises Coopératives
COOP/MUT	Coopération et Mutualité
EMI	Exploitations de Moyenne Importance
FONADER	Fonds National de Développement Rural
FSAR	Fonds Spécial des Actions Rurales
GAM	Groupement des Agriculteurs Moderns
HEVECAM	Héveas du Cameroun
IBRD	International Bank for Reconstruction and Development
KfW	Kreditanstalt für Wiederaufbau
MINAGRI	Ministère d'Agriculture
MIDEVIV	Mission de Développement Vivrière
MIDENO	Mission de Développement du Nord-Ouest
MIDO	Mission de Développement d'Ombessa
NPMB	National Produce Marketing Board
NWCA	North-West Cooperative College Bamenda
ONCPB	Office National de Commercialisation des Produits de Base
SEMRY	Société d'Expansion et de Modernisation de la Riziculture de Yagoua
SCT	Société Camerounaise de Tabac
SOCAPALM	Société Camerounaise des Palmiers
SOCOODER	Société Coopérative de Développement Rural
SOCOOPED	Société Coopérative d'Epargne et de Développement
SODECAO	Société de Développement du Cacao
SODEBLE	Société de Développement du Blé
SODECOTON	Société de Développement du Coton
SODENKAM	Société de Développement du Nkam
SODERIM	Société de Développement du Riz
SOWEFCU	South West Farmers' Cooperative
UCCAO	Union Centrale des Coopératives Agricoles de l'Ouest
UNVDA	Upper Nun Valley Development Authority
UPCY	Union des Caisses Populaires de Yaoundé
WADA	Wum Area Development Authority
ZAPI-Est	Zones d'Actions Prioritaires Intégrés de l'Est

Exchange Rate 1 FF = 50 FCFA

Annex I

Table I.1	Commercial Bank and BCD Lending to Agriculture, Forestry and Fisheries 1983/84 and 1984/85
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TABLE I.1
Commercial Bank and BCD Lending to Agriculture, Forestry and Fisheries⁽¹⁾ 1983/84 and 1984/85
(Outstanding at end of period, in million of FCFA)

Sectors	1983/1984							
	short-term				medium-term			
	Oct.	Dec.	Feb.	April	June	Aug.	Oct.	x
Fisheries	1 830	1 570	1 700	1 669	1 716	1 596	1 852	1 704
Forestry	6 802	8 053	6 799	8 817	7 788	7 892	7 119	7 610
Agriculture	13 667	14 912	12 984	12 793	12 812	13 183	12 819	13 310
Total	22 299	24 535	21 483	23 279	22 316	22 671	21 790	22 624
Total credits extended	486 699	387 637	381 553	415 289	482 403	482 372	487 241	446 170
Sectors	1984/1985							
	Oct.	Dec.	Feb.	April	June	Aug.	Oct.	x
Fisheries	254	276	242	212	238	240	191	236
Forestry	579	976	860	1 353	937	881	902	927
Agriculture	3 078	8 396	5 742	9 041	5 346	5 486	4 208	5 962
Total	3 911	9 648	6 844	10 966	6 521	6 607	5 381	7 125
Total credits extended	195 393	217 734	203 562	221 955	205 239	202 341	201 240	206 694

TABLE I.1 (continued)

Sectors	1984/1985						
	short-term						
	Feb.	April	June	Aug.	Oct.	Dec.	Σ
Fisheries	1 700	1 669	1 716	1 596	1 852	1 738	1 836
Forestry	6 799	8 817	7 788	7 892	7 119	6 542	7 337
Agriculture	12 984	12 793	12 812	13 183	12 819	10 272	8 398
Total	21 483	23 270	22 316	22 671	21 790	18 552	17 571
Total credits extended	381 553	415 289	482 403	482 372	487 241	470 045	459 757

Sectors	medium-term						
	medium-term						
	Feb.	April	June	Aug.	Oct.	Dec.	Σ
Fisheries	242	212	238	240	191	221	197
Forestry	860	1 353	937	881	902	908	1 024
Agriculture	5 742	9 401	5 346	5 486	4 288	9 630	8 758
Total	6 844	10 966	6 521	6 607	5 381	10 759	9 979
Total credits extended	203 562	221 355	205 239	202 341	201 240	218 649	224 206
							210 941

1) Loans reported to the Centrale des Risques

Source: BEAC, Centrale des Risques.

TABLE I.2

CamCCUL Savings Mobilization and Lending

Year Ending	Annual Infl. Rate %	Number of Members	Total Savings mil. FCFA	Savings per Member/FCFA	Total loans mil. FCFA	Loans per Member FCFA
1969	—	5 200	21.5	4 135	14.0	2 692
1970	11.0	8 470	40.7	4 805	23.8	2 804
1971	4.2	13 975	89.0	6 369	50.3	3 596
1972	7.9	19 268	142.9	7 414	86.7	4 498
1973	10.4	22 514	224.1	9 955	126.8	5 630
1974	17.3	24 969	355.0	14 216	203.3	8 143
1975	13.3	31 236	549.7	17 599	318.8	10 205
1976	9.9	35 040	777.4	22 187	479.0	13 671
1977	14.5	37 357	986.0	26 392	633.7	16 962
1978	12.5	36 662	1 366.1	37 261	926.3	25 267
1979	6.6	40 524	1 799.4	44 404	1 263.4	31 283
1980	9.9	41 197	2 338.5	56 764	1 626.7	39 485
1981	10.5	44 778	2 939.4	65 644	2 035.2	45 450
1982	12.2	47 888	3 583.7	74 836	2 494.9	52 098
1983	14.7	50 042	4 307.5	86 078	3 010.6	60 161
1984	12.0	53 016	5 328.3	100 504	3 677.4	69 364
1985	10.0 ²⁾	58 604	6 471.6	110 429	4 500.0 ²⁾	76 800

1) Consumer Price Index in Cameroon. Source: "Banque des Etats de l'Afrique Centrale".

2) Estimated.

Source: World Council of Credit Unions.

TABLE 1.3

ONCPB as Shareholders in State Enterprises
(amounts in million FCFA; participation in %)

Name of Society	ONCPB Share	%	Name of Society	ONCPB Share	%
HEVECAM	5.630.0	59,2	ZAPI L'EST	410.0	68,3
SOCAPALM	2.858.0	34,0	SODERIM	400.0	12,9
SEMRY	2.160.0	47,2	SODECAO	285.0	67,0
SOCAME	1.934.0	50,9	SIC-CACAO	172.5	15,3
CELLUCAM	1.687.5	14,3	HOT. DE BERTOUA	100.0	25,0
SODEBLE	1.420.0	47,2	BOSTON BANK	70.0	7,0
CAMSUCO	1.191.3	15,4	SONACOM	40.0	40,0
SACHERIES	619.7	39,4	CAM. HOTEL CORP.	15.0	15,0
UN VDA	600.0	67,0	SODENKAM	10.0	7,3
HOTEL DE NORD	500.0	30,6	SOCAVO	0.9	u.a.
STPC	490.0	34,5	CDC		u.a.
SODECOTON	483.4	u.a.	CAMEROON BANK		u.a.

Analysis of Shareholding

- Agro-Industrial Societies	11
- Hotels	3
- Commercial Banks	2
- Other Agricultural Projects	8

Total Value of Shares: FCFA 22 billion.

Source: ONCPB, Annual Report 1984.

TABLE I.4

ONCPB Grants and Subsidies 1979/80-1982/83
(in millions of FCFA)

Societies which are beneficiaries	1979/1980	1980/1981	1981/1982	1982/1983
FONADER	8 005.2	7 000.0	—	280.0
SODECOTON	2 350.0	800.0	464.1	—
SODECAO	1 000.0	1 550.0	—	—
Cocoa Roads	6 312.3	17.9	1 646.6	629.6
Rural Roads	772.2	400.9	302.5	—
Emergency Road Programme	—	3 622.2	2 303.6	—
MIDEVIV	150.0	95.0	—	—
UCCAO	95.0	100.0	—	—
ZAPI-East	200.0	300.0	100.0	—
N.W. Cooperative Assoc.	100.0	395.0	60.0	100.0
S.W. Cooperative Assoc.	100.0	150.0	50.0	75.0
Intercommunal Funds	—	200.0	—	—
UNDVA	—	150.0	—	—
TOTAL	19 084.7	14 781.0	4 926.9	1 084.6

Source: ONCPB Annual Report 1984.

TABLE 1.5

ONCPB as Lender to State Enterprises

Name of Institution	Medium/Long Term Loans (in FCFA million)
Government Treasury	10 370.6
S.N.I.	1 081.9
SEMR	195.6
RNCFC	1 150.2
S.C.S.	150.0
CAMAIR	1 483.0
B.C.D.	1 284.4
O.C.B.	231.0
SODERIM	250.0
FONADER	850.0
SOCAME	2 000.0
PARC NATIONAL	649.1
Total long-term loans	19 695.8
Total short-term loans (less than one year)	10 290.2
TOTAL LENDING	29 986.0

Source: ONCPB, Annual Report 1984.

TABLE 1.6

FONADER: Bureaux périodiques

Agences	Nombre	Localisation	Distance de l'agence en km	Périodicité des visites	Responsables des visites	Besoins nouveaux	Population servie par bureau périodique	Observations
Adamaoua	6	- Banyo	400	1 fois par mois 3 jours par département.	Agents du service technique	Agents du recouvrement	43 833	Actuellement les agents du S.T. pris par le recouvrement ne font pas assez d'études techniques. Bureaux périodiques très éloignés du Chef-lieu de Province.
		- Tibati	280					
		- Bankim	520					
		- Ngaoundal	160					
		- Tignere	129					
- Meiganga	156							
Centre	7	- Mbalmayo	48	± permanent	Il y a un agent recruté spécialement pour chaque Bureau périodique et est en poste du lundi au vendredi.	Equipement des bureaux	141 714	Le statut des agents des bureaux périodiques n'est pas encore clair, car il ne font pas encore partie du personnel du FONADER.
		- Akonolinga	108					
		- Bafia	120					
		- Monatele	119					
		- Eseké						
		- Mfou	27					
		- Nanga Eboko	169					
Est	3	- Batouri	93	2 fois par mois	Le Directeur d'Agence ou les agents de crédit.	1 Bureau périodique à Yokadouma. 1 Bureau périodique à Moloundou.	108 333	Il faut noter que Moloundou est à 600 km de Bertoua et la route est non bitumée. Les locaux n'appartiennent pas au FONADER.
		- Garoua	260					
		- Abong-Mbang	110					
Extrême-Nord	5	- Yaoundé	160	3 jours par mois et par département.	Agents du Crédit.	La région de Maroua elle-même est mal couverte.	242 800	
		- Kousséri	250					
		- Mokolo	86					
		- Mora	60					
		- Kadei	51					

Littoral	3	- Edea - Nkondjock - Nkongsam- ba	60 180 120	2 fois par mois	Le Directeur d'Agence ou les agents du crédit.	Besoin d'un bu- reau périodique à Ngambe.	189 000	Aucun bâtiment abri- tant les bureaux péri- odiques n'appartient au FONADER.
Nord	5	- Guider - Rey Bouba - Poli - Mbe - Bashio	120 136 143 226 50	1 fois/mois 3 fois par département	1 agent S.C. 1 agent S.T. 1 chauffeur		69 000	
Nord- Ouest	5	- Bui - Santa - Mbengui - Wum - Nkambe	108 20 32 83 170	2 fois par mois et 2 fois par bu- reau	Agents du Cré- dit ou agents du service techni- que	Equipement des bureaux. Locaux pour bu- reaux.	241 666	Faire de Nkambé et Wum des bureaux per- manents.
Ouest	3	- Bafang - Bangangte - Foumban	55 48 78	2 jours/mois 2 jours/mois 3 jours/mois	Agents du servi- ce technique ou agents du crédit + un chauffeur	1 bureau à Dechang 1 bureau à Mbouda	316 666	
Sud	2	- Sangmelima - Kribi	117 171	2 fois par mois durée moyenne 3 jours 2 fois/mois durée moyenne 3 jours	Le Directeur d'Agence ou les agents du Cré- dit.	1 bureau péri- odique à Ambam, un à Djoun et un autre à Mangan.	105 000	Nécessité de regrouper les bureaux périodiques par arrondissement afin d'éviter que tout se confirme au niveau du Chef-lieu du Dpt.
Sud- Ouest	3	- Ekondo Titi - Mamfe - Muyuka	55 162 50	2 fois par mois et 2 jours par dé- partement.	Agents de crédit et agents du ser- vice technique.	Locaux pour bu- reaux. Equipement pour bureaux.	15 633	

Source: FONADER, Etude sur l'assouplissement des conditions de crédit, Yaounde, Sept. 1985.

TABLE I.7

FONADER's Use of Funds (in FCFA mil.)

	1982/83	1983/84	1984/85
1. Administration	1302	2070	2710
of which			
- personnel	689	1041	1530
- others	613	1029	1180
2. Equipment	206	433	1086
3. Credit (committed)	2200	1989	7083
of which			
- individual	1002	1392	4210
- GAM	154	245	234
- direct (coop)	461	55	122
- adherent	216	147	2476
- societies	367	150	40
3a Memo Item:			
Credit (disbursed)	2318	1641	4620
4. Grants and Subsidies	15057	19983	25173
of which			
- plant protection	5851	6570	7312
(of which 75% for anticapsides			
and pourriture brune)			
- regeneration of cacao and coffee	854	1001	792
- fertilizer	5065	5652	6934
- village water supply	244	1295	1043
- food crop support	93	204	160
(cereals, rice, annanas and MIDEVIV)			
- jeunes agriculteurs	438	572	547
- livestock	149	219	196
- others	88	15	23
(prizes, competition)			
- special projects	634	1180	1682
of which			
- CDC + SOCAPALM	64	82	83
- Hevecam		45	18
- Plan Viande II	65	25	148
- Semry	102	108	509
- Centre Nord		46	77
- FSAR	403	874	892
5. Miscellaneous and transfers to			
other years	1641	3275	6484
TOTAL	18883	24127	33589
(based on credit disbursements)			
TOTAL	19001	24475	36052
(based on credit commitments)			

Source: FONADER, Rapports d'Activités 1982/83 to 1984/85.

TABLE 1.8

FONADER: Agricultural Credit by Purpose and Region, Commitments 1984/85

	Head Office	Center	South	East	Lit. total	North-West	South-West	Extreme North	North	Adamaoua	West
Crop Production											
Cocoa	115.5	145.1	351.9	64.7	10.1	—	251.3	—	—	—	3.2
Coffee	54.0	3.0	—	145.4	102.1	21.8	54.8	—	—	—	138.6
Fruits, Vegetables	—	10.2	—	—	—	—	—	40.2	99.8	6.0	—
Maize	18.0	—	—	—	—	25.1	—	—	—	—	20.0
Oilpalms	15.0	2.0	3.4	—	7.7	—	43.6	—	—	—	—
Food Crops/Animal Traction	—	—	—	3.0	—	6.2	20.0	—	26.1	107.0	8.3
Bananas, Pineapples	6.0	2.5	—	2.5	30.3	—	3.9	—	—	—	—
Animal Production											
Poultry	206.4	155.1	60.2	57.1	3.1	89.4	71.6	—	2.0	—	53.5
Sheep, Cattle	35.0	—	—	24.4	—	192.2	—	101.6	81.9	138.9	8.7
Mixed	—	—	—	—	—	258.2	—	—	—	—	—
Fish	—	—	63.4	5.0	—	—	3.3	3.5	—	—	—
Pigs, goats	6.0	—	—	15.5	—	18.5	9.4	—	2.0	—	3.5
Cooperatives											
Member Credit	15.5	—	—	—	—	—	—	—	—	—	2029.2
Education Credit	13.2	—	—	94.6	53.6	—	—	—	—	—	—
Equipment Credit	—	—	—	—	72.1	—	50.0	—	—	—	—
Others											
"Credit Engins"	28.4	4.3	10.6	57.2	10.5	42.0	105.2	1.8	11.5	22.6	88.0
Housing	—	31.7	—	63.3	4.5	—	—	—	—	—	2.5
"Credit Social"	373.5	—	—	—	—	—	—	—	—	—	—
Total^a	994.5	353.9	489.5	532.7	294.0	653.4	613.1	147.1	223.3	274.5	2355.5

^a Totals may not add up because of rounding.

Source: FONADER, Direction de Crédit.

Annex II: Agricultural Part

Table II.1	Fertilizer Use by Crop 1984/85
Table II.2	Distribution of Subsidized and Unsubsidized Fertilizer by Provinces 1984/85
Table II.3	Young Farmers Program, Size of Farms
Table II.4	Producer Prices and World Market Prices of Major Export Crops 1961-1985

TABLE II.1

Fertilizer Use by Crop, 1984/85

<i>Crop</i>	Product tons	Per cent of total
Food crops	16.259	15
Coffee	49.073	47
Oil palm	7.720	7
Cotton	21.020	20
Rubber	2.810	3
Bananas	2.018	2
Tea	1.101	1
Sugar	5.000	5
Tobacco	55	—
TOTAL	105.056	100

Source: USAID/IFDC Cameroon Fertilizer Sector Study, Draft April 1986.

TABLE II.2

Distribution of Subsidized and Unsubsidized Fertilizer by Provinces 1984/85

Province	Subsidized	Unsubsidized	Total
	(per cent of total)		
Center and South	1.6	0	0.9
West	32.5	0	19.9
East	2.2	12.4	6.2
Northern provinces	8.0	54.1	25.9
Littoral	42.4	22.7	34.7
South West	6.0	10.8	7.9
North West	7.3	0	4.5
TOTAL	100	100	100
	61.2	38.8	100

Source: Calculated from IFDC/USAID Cameroon Fertilizer Sector Study, Draft April 1986.

TABLE II.3

Young Farmers Program, Size of Farms

Province	Industrial Cultures ha	Food Crops ha
Northern Province	1.8	0.4
North West	1.1	0.3
Center	1.2	0.35
South	1.15	0.45
East	1.2	0.5
Littoral	0.65	0.5
West	1.5	0.2
South West	0.75	0.2
Average	1.16	0.36
Planned	2.0	0.5

Source: Bilan des Programmes d'Action de la Direction d'Agriculture.

TABLE II.4

Producer Prices and World Market Prices of Major Export Crops 1961-85

Year	Producer	Cocoa		Producer	Arabica Coffee		Producer	Robusta Coffee	
		f.o.b.	%		f.o.b.	%		f.o.b.	%
1961	75	104	72	175	202	87	96	142	64
1962	70	113	62	175	205	85	90	142	63
1963	72	117	62	192	222	86	102	155	66
1964	80	90	89	195	235	83	127	149	85
1965	45	97	46	185	230	81	100	115	69
1966	55	127	43	157	214	74	115	160	72
1967	55	153	36	156	210	74	115	166	69
1968	70	201	35	158	218	72	115	156	74
1969	85	196	43	201	276	73	117	197	59
1970	85	144	59	174	263	66	125	204	61
1971	75	128	59	165	243	67	125	208	60
1972	75	224	34	175	284	62	125	209	60
1973	80	227	35	200	296	68	130	256	51
1974	100	277	36	190	324	59	135	261	52
1975	120	236	51	235	457	51	145	404	36
1976	150	303	50	305	936	33	195	819	23
1977	220	527	42	325	1.032	31	250	1.276	20
1978	260	680	38	360	1.001	36	280	812	34
1979	290	637	46	350	787	44	310	761	40
1980	300	493	61	340	844	40	320	744	49
1981	310	635	49	370	704	50	330	575	57
1982	330	640	52	450	704	50	350	728	48
1983	330	612	60	410	1.098	37	390	1.017	38
1984	440 ^a	754	58	420	1.275	33	410	1.270	32
1985	420	1.109	38						

a) Include 30 bonus.

Source: Bilan Diagnostic as reported in Cocoa in Cameroon, Policy and the Economics of Production, Volume I, 1983, page 54, Gagne-Gervais, "Cameroon the Cash Crop Sector: Its Performance and Future Development Possibilities," page 11 and Ministry of Agriculture Statistics.

CHART III.2

FONADER: Regional Offices and Mobile Units

Source:

FONADER, Etude sur l'assouplissement des conditions de crédit, Yaoundé, Sept. 1985.

Annex IV: *Structure of the Survey*

1. The survey was carried out on the basis of specifically designed questionnaires focussing on farm and off-farm activities and credit and savings pattern. Given the limited resources available it had to be restricted to 175 farms. In addition, cooperatives in the Rain Forest and the Western Highlands and the extension agents especially in the North as well as various development organisations, credit unions and informal savings/credit groups (tontines/njangis) have been included in the survey because of their concern with rural credit and savings.

The findings of the survey have been complemented by drawing on corresponding results of an investigation of 500 rice growing farms in the North made available by SEMRY and of the study "Etude sur la Connaissance des Besoins des Agriculteurs au Cameroun" carried out by a team of SEDA, IDET and CEGOS, October 1985.

2. The survey covered all provinces of Cameroon and within the provinces major farming systems. The homogeneity of major findings in each of the major regions, i.e. the rain forest areas of the center and southern provinces, the western provinces and the northern provinces and characteristic institutional and social differences between the North, the West and the rain forest area in the southern/eastern parts of the country suggested to aggregate the results and present them for 3 zones:
 - *The North* consisting of the three provinces Adamaoua, Garoua and Extreme North and of the northern part of the Province Centre.
 - *The Western Highlands* consisting of the provinces West, South-West and North-West. It also includes the densely populated and intensively cultivated zone around Bafoussam as well as grasslands in the Bamenda area.
 - *The Rain Forest Areas* consisting of the western and

coastal lowlands and the rain forests of the provinces South and East.

Talbe IV.1 of this Appendix summarizes the main features of the 3 zones. The number of farms surveyed in the 3 zones was as follows:

<i>Ecological Zone</i>	<i>Number of Farms</i>
North	70
Western Highlands	40
Rain Forests	68

3. Size of the farms included in the survey is slightly above the average and ranges from 2-5 ha. The cropping pattern is largely determined by natural conditions. About 50 to 70% of the cultivated land in the Rain Forests and 25-30% in the Western Highlands are occupied by tree crops (Arabica or Robusta Coffee, Cacao or a combination of them; also occasionally rubber trees and bananas). On the rest of the cultivated land, food crops are grown partly for subsistence and partly – especially in the West and the Central Region – for market production.
4. Table IV.2 compares the incomes of the survey farms with the 1984 Agricultural Census results. There is little doubt that the survey is somewhat biased towards higher income and more efficient farms although the extent of the bias is probably less than the figures of Table IV.2 seem to indicate. High inflation rates between 1984 and 1986 explain part of the difference. However, the size of expenditures and expenditure patterns shown in the survey suggest that the census is likely to underestimate farmers' income. With incomes as low as shown in the census a large part of the farmers would be unable to pay their children school-fees and the minimum of basic cash expenditures. Still, a bias of the survey is likely to exist as the mission could not select its farms by random. It had to rely on the village chief and the local extension service for the selection of farmers to be interviewed. Experience suggests that this procedure results in having a

higher than representative proportion of dynamic and modern farmers included. Unfortunately, under the circumstances of limited resource availability there is no practical alternative.

5. The structure of income corresponds to the production structure. In the Rain Forest area and in the Western Highlands 80% of the cash income derives from export crops. In the North the income structure is less homogeneous. Rice farmers earn almost their entire cash income from rice; cotton and livestock products dominate with 70 to 80% of total income the income pattern in the cotton and ranching areas, and farmers which grow neither cotton nor rice have to earn more than 70% of their cash income from the marketing of traditional food crops. It should be noted that the share of food crops in cash income is probably underestimated, especially in the Western Highlands and the Rain Forest areas. Traditional food crops are cultivated and sold predominantly by women who may not declare their full cash income.
6. The survey findings with respect to credit demand, the role of savings and farmers' general attitude towards the institutions involved are so surprisingly homogeneous that the results can be considered as largely representative inspite of the relatively small size of the sample.

TABLE IV.1

Major Characteristics of the Three Zones of the Enquête

	Zone	Per Cent of Area	Per Cent of Active Population	Annual Rainfall	Major Crops		Livestock	Development Organisations, Government Institutions and Cooperatives	
					Cash	Subsistence			
North	northern plain	49	25	400- 600 1000-1400	rice	millet	beef	SODECOTON	MINAGRI Provincial Offices
	cotton				sorghum	sheep	SEMRY	FONADER agencies	
					maize	poultry	BENOUE SODEBLE FSAR Plan Viande		
Western High-lands	Bafoussam area	7	23	1500-2000	Robusta + Arabica coffee	maize	beef	UCCAO	MINAGRI Provincial Offices
	Bamenda grasslands				Arabica coffee	yam cassava banana plantations	poultry pigs	SODERIM SODENKAM	FONADER agencies
	South-West				Robusta coffee cocoa	banana plantations		WADA UNDVA	Cooperatives
Rain Forests	western and coastal lowlands	44	52	2500		banana plantations	poultry	SOWEFCU	
					banana plantations	pigs	SODECAO	MINAGRI FONADER agencies	
					cocoa coffee	cassava yam cocoyam	goats		Cooperatives

Source: Mission Enquête

TABLE IV.2

Gross- and Net-Income of Survey Farms

Type of Farm	Gross Income FCFA	Net Income FCFA
Cocoa	503 728	460 684
Robusta	562 327	435 310
Robusta and Cocoa	682 270	589 234
Arabica	648 367	561 557
Robusta, Cocoa, Arabica and other Cash Crops	731 975	597 696
Food Crops	271 833	46 161
Millet	378 667	53 377
Cotton	649 180	372 713
Rice	573 738	464 662
Livestock	598 071	139 059
Average	572 506	418 354

The 1984 Agricultural Census shows an average gross income per farm of FCFA 178 000.

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