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REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF CAMEROON

FOR THE

NATIONAL MICROFINANCE PROGRAMME SUPPORT PROJECT



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CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc BEAC (XAF)
USD 1.00	=	XAF 620
XAF 1.00	=	USD 0.00016

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

BERDSCO	Benevolent Community Education and Rural Development Society
CAMCCUL	Cameroon Cooperative Credit Unions League
COBAC	Banking Commission of Central African States
COOPECs,	Coopératives d'épargne et de crédit (Savings and Credit Cooperatives)
CUT	Community Unit Trust
FONADER	National Rural Development Fund
IMF	International Monetary Fund
MC2	Mutuelles communautaires de croissance
MFI	Microfinance Institution
NCCWEDT	National Centre for Counselling and Women Entrepreneurship Development Training
NGO	Non-Governmental Organization
NMFC	National Microfinance Committee
PCU	Project Coordination Unit
SOE	Statement of Expenditures
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services

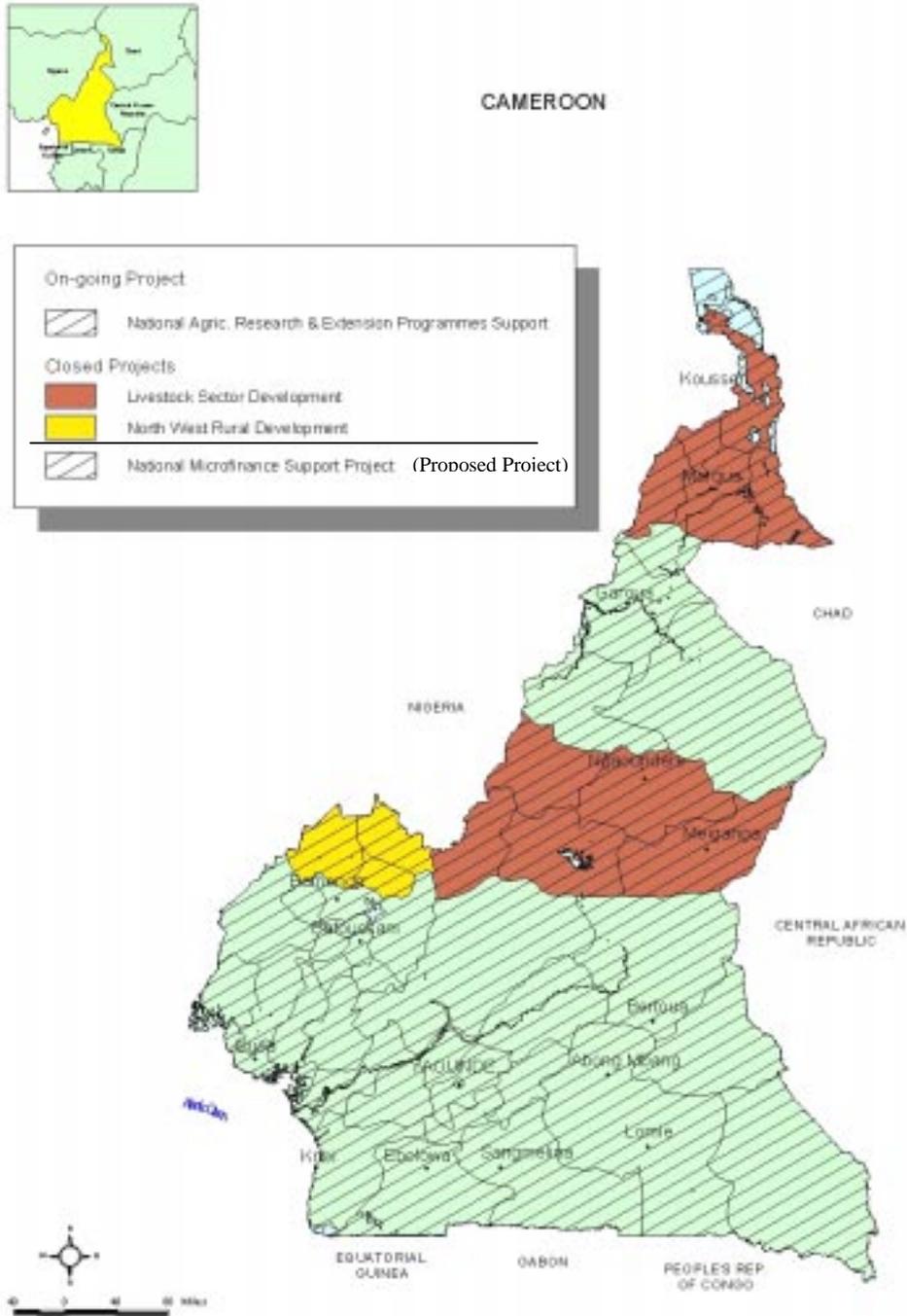
GOVERNMENT OF THE REPUBLIC OF CAMEROON

Fiscal Year

1 July - 30 June



MAP OF THE PROJECT AREA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.



REPUBLIC OF CAMEROON

NATIONAL MICROFINANCE PROGRAMME SUPPORT PROJECT

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Cameroon
EXECUTING AGENCY:	Ministry of Economy and Finance
TOTAL PROJECT COST:	USD 13.54 million
AMOUNT OF IFAD LOAN:	SDR 8.05 million (equivalent to approximately USD 11.05 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	None
CONTRIBUTION OF THE BORROWER:	USD 2.00 million
CONTRIBUTION OF THE BENEFICIARIES	USD 0.49 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	UNOPS



PROJECT BRIEF

Who are the poor. The period of economic crisis in Cameroon between 1985 and 1993 was one of rapid and widespread impoverishment. Despite the lack of precise data, surveys conducted in the early 1980s and the mid-1990s have confirmed that the vast majority of the poor – most of them women – live in rural areas. Poverty characterization includes low income level and poor access to socio-economic infrastructure and social, technical and financial services. This, in turn, further impairs the capacity of the poor to respond to market signals in an increasingly liberalized economy.

Why are they poor. For the poor segments of the rural population, including smallholders and microentrepreneurs, lack of access to financial services – followed by unavailability of rural infrastructure and access to technical services – were identified as constraints on upscaling economic activities, investing in agriculture and resource management, and improving living standards. Since the financial sector was perhaps the hardest hit by the economic crisis, informal financial institutions have remained the preferred, if not the only accessible source of funds for mainly small economic operators. Microfinance institutions service a clientele that would otherwise have no access to financial services. A growing and wide range of services provided by innovative entrepreneurs has met an equally growing and diversified demand for financial services. However, what was known in the 1990s as the "liberty legislation" (based on freedom of association), combined with drastic measures to restructure the formal banking sector, have resulted in a proliferation of unviable microfinance institutions putting small depositors' money under permanent risk. At the same time, poor households in isolated areas or economically disadvantaged regions have been left out of existing network coverage through the lack of an adequate policy and regulatory framework, and lack of opportunities for income generation and savings mobilization.

What will the proposed project do for them. As part of an IFAD's renewed and comprehensive portfolio of projects in support of the Government's rural development strategies in Cameroon, the proposed project will help create a sound framework for the microfinance sector through consolidation of a national policy framework conducive to preserving small depositors' money, building the capacity of apex organizations to provide services, encouraging the expansion of microfinance network outreach to the marginal rural poor, and supporting the development of innovative rural financing systems. Activities will include institutional support and network expansion and diversification. The project will contribute significantly way to improving the situation of women, who dominate the informal sector, which is mainly funded from microfinance institutions. A significant proportion of members of the major networks are women and many informal financial institutions are made up entirely of women. Plans to expand these schemes will be of direct benefit to women. Increased incomes resulting from higher levels of financial intermediation are likely to result in better household nutrition and food security. Finally, special attention will be given to establishing or fostering linkages between the microfinance sector and women - dominated food crop production through the development of agroprocessing and market linkages under other IFAD-supported projects in Cameroon.

How will the beneficiaries participate in the project. The highly participatory process involving stakeholders' workshops at each stage of project development aims to foster beneficiary ownership. As IFAD's target group, will participate as members and clients of decentralized financing systems with extended outreach. The microfinance networks, in turn, are statutory members of the National Microfinance Council to be established as part of the project, as a consultative body on a wide range of issues affecting the sustainable development of the microfinance sector in Cameroon. Finally, arrangements will also be made for participatory planning, monitoring and evaluation.



**REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF CAMEROON
FOR THE
NATIONAL MICROFINANCE PROGRAMME SUPPORT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of Cameroon for SDR 8.05 million (equivalent to approximately USD 11.05 million) on highly concessional terms to help finance the National Microfinance Programme Support Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Cameroon is potentially a wealthy and diversified commodity-based economy, which has suffered one of the worst economic declines in sub-Saharan Africa since the 1980s. From the late 1970s to the mid-1980s, annual real Gross Domestic Product (GDP) grew at over 7%. In 1986, the CFA Franc became severely overvalued in real terms, the world oil market suffered severe reverses, and markets for Cameroon's other commodity exports – cocoa, coffee and cotton – slumped. Real GDP contracted sharply at the rate of 5.8% per annum in the period 1986-88, leading to a cumulative decline in real per capita income of the order of 11%.
2. Since devaluation in January 1994, the Government has made a serious effort to redress fiscal imbalances while accelerating economic liberalization. Trade has been fully liberalized and an ambitious privatization programme is under way. Government non-debt expenditure have been drastically cut, turning the primary budget balance from negative to positive in a very short time.
3. The population of Cameroon (14.7 million) is one of the most ethnically, linguistically and culturally diverse and complex in Africa: there are some 200 different ethnic groups, each with its own language, customs and social structure. Agriculture (including forestry and fisheries) accounts for about 25% of the country's GDP (USD 615 per capita). The farming sector provides a direct source of livelihood for about one half of all Cameroonian households, and it covers almost 100% of the nation's food requirements.
4. The financial sector was perhaps the hardest hit by the economic shock. In the context of structural adjustment, it was restructured twice. In the process, about ten commercial banks were liquidated with correspondingly large losses of customer deposits. The few that remained are now technically solvent and viable, but the consequence has been a public loss of confidence in the banks. In addition, several non-bank institutions (providing services for agriculture and rural microenterprises) came under stress.

¹ See Appendix I for additional information.



5. Microfinance institutions (MFIs) have therefore remained the preferred, if not the only accessible, source of funds for small and many medium-sized economic operators. The Government of Cameroon has opted to support the development of MFIs as a key component of the programme to restore the country's growth. The policy framework to support this programme and the strategy to adopt have recently taken shape. With IFAD's support, a national working group drafted a National Microfinance Policy Paper ("*Lettre de politique*") that was pre-validated at a workshop in July 1999. The workshop, which was attended by the main national and international stakeholders interested in microfinance, reached about a consensus on the following principles:

- (a) There is a need to prepare, enact and enforce legislation and regulations that allow for diversity and creativity in microfinance activities, while providing the necessary safeguards to protect small depositors' money;
- (b) Pending completion of the legislative process, there is a need for transitional measures to prevent microfinance institutions from abusing the regulatory vacuum;
- (c) An appropriate incentives system should be established to encourage sound management practices and effective supervision at network level;
- (d) A broad-based and permanent forum should be established in the form of a National Microfinance Committee; this committee would bring together key stakeholders (including, *inter alia*, representatives of the Government, as well as microfinance networks and professional associations), for regular consultations on issues of common concern;
- (e) Assistance strategies should be differentiated on a regional basis, to take account of socio-cultural specificities;
- (f) Special attention should be paid to the more disadvantaged segments of the population, currently having little or no access to financial services;
- (g) A reinforcement of supervision by monetary authorities is also anticipated, with adaptations to fit the specific characteristics of different MFIs.

B. Cameroon's Policy for Poverty Eradication

6. Since Cameroon has emerged from a sharp decade-long recession to resume growth, albeit sluggishly, the Government's immediate concern is to consolidate the positive trends of recent years to achieve long lasting development. Policy objectives to achieve this goal include the promotion of a strong private sector including small operators, attention to people's requirements and demands, rural poverty alleviation, food security and promotion of non-traditional exports, and development of economically viable and environmentally sustainable production practices. To achieve these objectives, the Government has engaged on broad-based reforms, including full liberalization of the market for agricultural inputs and outputs, privatization of state-owned enterprises, support to new private enterprise, unification of agriculture and livestock research apparatus, and reactivation of research activities.

7. The Medium-Term Economic and Social Strategy adopted by the Government in August 1997 attaches special importance to poverty reduction, taking into account the recommendations of a 1995 World Bank report. The official text of the national strategy for poverty alleviation finalized in 1998 and published in January 1999 includes, on the one hand, a package of policy reforms and social action programmes, and on the other, the development of human resources required for its implementation. The policy thrust is on:

- (a) commitment to economic reform and accelerated growth, building on the potential gains of devaluation, through labour-intensive growth with a pro-poor bias;
- (b) redirecting a larger proportion of public resources to the provision of basic social and economic needs, and giving voice to the poor by strengthening local initiative and participation;



- (c) human resource development and efficient deployment of manpower; and
- (d) specific actions targeted at women, the poor and structurally vulnerable groups and regions.

C. The Relevant Activities of Other Major Donors

8. The International Monetary Fund (IMF) sponsored *Social Dimensions of Adjustment Programme* established in 1990 and *Emergency Social Programme* launched in 1994 focused on rural primary health care and education facilities, and urban water supply and sanitation. The World Bank Food Security Project involves establishment of a food security early warning system; control of locusts pests through aerial spraying; pilot nutrition education; construction of rural market infrastructures; and establishment of a credit fund for community infrastructure and off-farm income-generating activities.

9. The African Development Bank (AfDB) and the United Nations Development Programme (UNDP) recently appraised a 16.7 million ECU Project for Poverty Alleviation and Actions in Favour of Women in the far north. It has components for establishment of a poverty monitoring unit and a fund to support economic activities through a microcredit fund and expansion of existing decentralized financing systems. Other components include rural infrastructure, promotion of microenterprises and labour saving devices for rural women, and strengthening partner institutions (governmental and non-governmental organizations (NGOs)).

10. Ongoing or planned interventions of bilateral donors (including, *inter alia*, Canada, France, Germany and the United Kingdom) also reflect an implicit or explicit concern about poverty alleviation. The strategic thrusts of such interventions are related to a variety of activities, including microfinance and natural resources management.

D. Previous IFAD Interventions and Lessons Learned

11. In the 1980s, IFAD supported several area-based projects in Cameroon dealing with natural resources management, commodity development, rural finance and community development. As of mid-1991, IFAD interventions were suspended due to loan arrears. An agreement on progressive settlement of loan arrears was reached in mid-1995, which the Government has regularly complied with, thus clearing the way for a renewed IFAD portfolio.

12. The previously IFAD-funded, and now closed, North West Province Rural Development Project, included a component dealing with credit. A viable mechanism for smallholder lending was established and, in the early years, was thought to have overcome, or demonstrated the feasibility of overcoming, the major difficulties faced in administering small agricultural loans in relation to administrative costs, standard guarantees and recovery rates. However, the mechanism collapsed when falling commodity prices and management failures led to liquidation of the marketing board and the National Rural Development Fund (FONADER). It was concluded that sustainable credit systems could not be mounted on state-owned institutions established for that purpose.

13. Other lessons from the project show that multisectoral designs were too complex. Projects with a single institutional entry point covering a single subsector are more likely to be successful. Moreover, public sector involvement needs to be kept to the absolute necessary minimum, while the role of the private sector and NGOs should be enhanced. Recent studies by the Office of Evaluation and Studies on IFAD experience in rural credit and microfinance have emphasized the need for a long-term approach to MFI development, aiming at their financial equilibrium under adapted local conditions, normally beyond the usual duration of a project.



E. IFAD's Strategy in Cameroon

14. A Country Opportunities and Strategy Paper (COSOP) was drawn up in early 1998 as a framework for a reactivated IFAD intervention in Cameroon after the loan suspension had been lifted. In this context, and against the background of the Government's liberalization policies, the strategic thrust of IFAD's intervention aims at contributing to creation of the necessary enabling conditions in institutional, technical and logistical terms for small resource users to respond efficiently to market signals. More specifically, in order to lift the constraints related to technology transfer, access to rural finance and socio-economic infrastructure, special attention is paid to strengthening the institutions providing technical support in natural resources management, rural microenterprise and microfinance, agro-processing and market expansion. At the same time, interventions will aim at promoting sustainable partnerships between government services, the private sector and civil society.

15. Implementation of the reforms already engaged needs to be vigorously supported under new investment programmes. However, there remain institutional complexities and temptations for political trade-offs in the context of the democratization process, which may result in inefficiencies in the allocation of resources by the Government. Hence the need to keep under close scrutiny the process of public sector reform and public expenditure reviews in the context of a policy dialogue with the Government to ascertain that it will comply with its commitments to reform.

16. IFAD's current and prospective involvement in the short and medium term, as foreseen in the COSOP, will include support to agricultural research and extension, consolidation and development of the microfinance sector, community development and rural infrastructure, as well as small-scale rural enterprise.

17. The country's absorptive capacity for the proposed lending will depend on a number of factors including, *inter alia*: progress made in project implementation and in the policy dialogue with the Government and the operationalization of strategic alliances between development partners, opportunities for co-financing, government allocation of adequate counterpart funding and regular debt servicing.

Project Rationale

18. Restructuring of the banking sector has caused enormous losses to small depositors and led to a general loss of public confidence. The closure of the banks also reduced the outreach of commercial banks, further exacerbating a situation in which many non-banking financial institutions of the rural sector are also under stress. Microfinance institutions have become not only the preferred, but also the only accessible, source of financial services for small economic operators. Staff of liquidated banks, now jobless, have taken advantage of new liberal legislation and the vacuum in services, to establish and run MFIs as either cooperatives or associations, thereby falling outside the control of monetary authorities and escaping taxation.

19. In most cases, the MFIs created have little or no equity and little or no management structures and skills. Yet, an increasing number of low income persons continue to place their deposits in such institutions. With no avenues to invest these deposits, long-term survival and profitability are compromised; promoters either deplete their equity (where there is any), or dig into the deposits of clients. Rural areas, completely beyond the reach of banks, are doubly hit by the absence of formal financial services and the lack of professionalism in the few that are present. Many MFIs would like to expand their services into rural areas but lack the resources to do so. Others attempt and, in the process, endanger the deposits of their members due to the lack of know-how.



20. The time has therefore come for the Government of Cameroon to invest in:
- policy formulation and enforcement of regulation to develop and institutionalize MFI policies, processes and systems and ensure an adequate focus on rural areas and low-income people; and
 - MFI development with carefully selected interventions targeted at the strengthening and expansion of networks of MFIs and the extension of their services to rural areas and low-income people.

PART II - THE PROJECT

A. Project Area and Target Group

21. The proposed six-year project will cover the entire territory of the Republic of Cameroon, which has five main agro-ecological zones. These stretch from a semi-arid Sudano-Sahelian zone in the far north with unimodal rainfall, to high Guinea savannah with unimodal rainfall, a high plateau in the west with bimodal rainfall, humid forest unimodal rainfall and a short dry season in the southwest and humid forest with bimodal rainfall in the centre, south and east. Within each zone, there are several distinct farming systems, for a total of around 25 major farming systems nation-wide.

22. The zones represent regions of differing resource endowments and economic opportunities. These in turn affect settlement patterns, population density and level of economic activity, which are all factors that significantly determine the spread and density of financial services on the ground. The following table summarizes the situation at the end of 1996 (the last time a survey of MFIs was conducted by the Ministry of Agriculture).

Zone	Surface Area km ²	Population 1997	No. of MFIs	MFIs per 1 000 inhabitants	Area (km ²) per MFI
Northwest/west	31 290	3 449 000	186	18.5	168
Southwest/littoral	40 518	3 130 000	136	23.0	298
Centre/south/east	225 132	3 448 000	76	45.4	2 962
Far north/north	100 353	3 597 000	64	56.2	1 568
Adamaoua	63 701	662 000	1	662.0	63 701

23. The target group for the proposed project – small resource users that are clients of MFIs, both rural and urban – are generally poorer, and have a lower per capita income. These are generally traders or farmers with no formal employment. While the January 1994 devaluation of the CFA Franc had a positive impact on producers of export crops, food crop producers throughout the country probably remained unaffected, implying relative aggravation of their poverty.

24. Government authorities estimate (without formal data) that around 650-700 formally-registered MFIs currently exist in Cameroon. The project is directly targeted at 470 MFIs (360 of them existing and 110 to be created under the project) with a membership of 175 000 persons reaching 4% of the country's active population, and aiming to reach 12% of the active population in rural areas, with financial services. A significant proportion of members of the major networks are women (25% in CAMCCUL, 35% in the MIFED village banks, 34% in rural savings and credit cooperatives (COOPECs), 31% in urban quasi-banks and 17% in MC2). Many, perhaps a majority, of the informal financial institutions (*tontines*, *njangis*) are groups made up entirely of women. In addition, many NGO-initiated microfinance programmes with innovative features are almost wholly targeted at



women. This is the case, for example, with the programmes run by the National Centre for Counselling and Women Entrepreneurship Development Training (NCCWEDT), the Benevolent Community Education and Rural Development Society (BERDSCO) and, more recently, the Community Unit Trust (CUT) solidarity scheme. Programmes planned under the proposed project to expand these schemes will affect women directly.

B. Objectives and Scope

25. The overall objective of the project is to help consolidate and maintain a system of properly supervised microfinance institutions with sustainable services accessible to all segments of the population, including those in rural areas, low-income people and women. More specifically, the project aims to:

- (a) to build up the Government's institutional capacity to address microfinance-related issues and to broaden and strengthen consultative mechanisms at sectoral level in order to create conditions for efficient implementation of the national microfinance policy, and for better compliance with the regional regulatory framework;
- (b) to support the consolidation of networks, including expansion of their outreach and diversification of their services, through:
 - (i) upgrading the professional capacities of microfinance practitioners;
 - (ii) organizational restructuring and strengthening to consolidate achievements of the larger networks and create or improve the interface between the networks, commercial banks and the agricultural sector
 - (iii) consolidation or expansion, on a pilot basis, of recent initiatives demonstrating creativity in institutional development, product design and extension of services to low-income groups; to contribute in providing access to financial services in high-potential rural areas, currently with limited or no access to such services; and
- (c) to support the review and compilation of case studies based on best practices, packaging in a user-friendly format and dissemination of MFI experiences in institutional innovation and development of new financial products.

C. Components

26. In order to achieve the stated objectives, the proposed project contains the following components: (a) support to professional development and expansion of MFI networks; (b) action research on innovative microfinance systems; (c) institutional support for the establishment and functioning of MFI unit in the Ministry of Economy and Finance, and a National Microfinance Committee (NMFC); and (d) support for project management². A detailed description of project components is provided below.

27. **Support to MFI development.** This part of the project will comprise three sub-components, dealing with professional development of MFIs, expansion of MFI outreach and support to innovative MFI networks. Under the first sub-component, provision is made for training of trainers, training of the management and technical staff of MFIs, and training of selected members of the MFIs' board of directors and credit committees, supervisory committees and senior management of apex organizations; technical assistance and logistical support for organizational reorientation and strengthening of existing MFIs and their networks through improved management systems and operational procedures; logistical support for establishment of a resource centre within one of the

² Project Management and Coordination Unit.



existing networks, and rehabilitation of premises for 100 MFI units under existing networks to improve their servicing capacity. Training activities will reach at least 50% of the existing 700 MFIs, in addition to new MFI units to be established with project support.

28. The second sub-component consists of expansion of MFI outreach and services into rural areas and regions where there are good prospects for interfacing with complementary agriculture and rural development activities. Assistance will be provided to two of the major networks to create a total of 66 new MFI units in rural and high potential areas, in addition to 44 branches to be created by the minor networks. Project support will be provided for the construction of premises and purchase of basic equipment (safes, counterfeit detectors, furniture, etc.).

29. The third sub-component provides support to innovative MFI networks displaying innovations in poverty and gender targeting. In this connection, apex organizations of five innovative networks will be strengthened, 39 existing MFI units within these networks consolidated, and 41 new ones created for a total of 80 such units. Project support will include rehabilitation of office premises, technical assistance for design of management systems and implementation support, as well as training of staff and elected officers, and limited logistical support, including vehicles, equipment and limited operating costs.

30. **Action research.** Under this component, the project will support the review and consolidation of case studies based on best practices, packaging in a user-friendly format and dissemination of MFI experiences in institutional and product innovation. The project will provide research grants to participating MFIs working in partnership with academic institutions to meet operating expenses, the costs of limited field testing of new products, and the publication of results of successful experiences. Special attention will be paid to targeting women and the poorest segments of rural areas, and to demand-driven approaches for linking agricultural intensification with rural finance.

31. **Institutional support to the Microfinance Unit and the National Microfinance Committee.** The project will strengthen the MFI Unit to be established in the Ministry of Economy and Finance to permit it to function effectively as the focal point in implementing the emerging government policy on microfinance and enforcing compliance with regional regulations being drawn up by Banking Commission of Central African States (COBAC). The unit's functions will be to receive and process licensing applications and, following COBAC's approval and where appropriate, help reorient MFIs to permit them to function effectively under the new regulations; and to effectively and constantly monitor MFIs and supervise those MFIs eventually falling under a special system. To this end, support will include training and technical assistance and provision of vehicles, equipment and some operating expenditure items.

32. The project will also support the National Microfinance Committee (NMFC) to be established as an autonomous consultative body to spearhead the development of microfinance in Cameroon, in accordance with the national microfinance policy ("*Lettre de politique*") (see paragraph 5). The executive arm of the NMFC will be its Secretariat, hosted by the Ministry of Economy and Finance, while enjoying administrative and financial autonomy. The NMFC Secretariat will be responsible for preparing its meetings, rendering its decisions operational and managing external development assistance related to microfinance. The project will support the cost of the committee's quarterly meetings and study tours to the other CFA Franc single currency zone (West African Economic and Monetary Union (UEMOA)) where a regional microfinance regulation is being enacted; and the costs related to the operation of the NMFC Secretariat.

33. **Project management.** A project coordination unit (PCU) will be established under the Ministry of Economy and Finance (MINEFI), with the necessary administrative and financial autonomy. The PCU will maintain functional relationships with the microfinance unit of the MINEFI, and will supervise the execution of contracts with implementing agencies, including

microfinance networks and research institutions. The PCU will be responsible for financial and management accounting in relation to contributions from external donors and the Government, and other potential donors to the programme. Provision will be made for rehabilitation of office premises, acquisition of vehicles and equipment, and salaries of externally-recruited staff.

D. Costs and Financing

34. The cost of the project is estimated to be USD 13.54 million, including 15% of physical and price contingencies, as well as taxes and duties. Foreign exchange (USD 5.65 million) accounts for about 42% of total costs. The IFAD loan of USD 11.05 million represents 82% of the total project cost, and would contribute to financing civil works, vehicles and motorcycles, office equipment and furniture, technical assistance, research grants and operating costs. The government contribution amounts to USD 2.00 million (i.e., 15% of the project cost), including all duties and taxes, as well as the financing of office accommodation for the PCU. The beneficiaries are expected to contribute about USD 0.49 million (3.5% of project costs) to meet part of the living expenses of the trainees under the training programme, and part of the rehabilitation and construction costs of MFI premises.

TABLE 1: SUMMARY OF PROJECT COSTS^a
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
A. Support to MFI Development					
1. Professional development of MFIs	2 905	1 347	4 252	32	36
2. Expansion of MFI outreach	638	639	1 277	50	11
3. Support to innovative MFIs	1 267	1 025	2 292	45	19
Subtotal	4 809	3 011	7 820	38	66
B. Action Research	492	567	1 059	54	9
C. Support to the Ministry of Economy and Finance	661	1 045	1 706	61	14
D. Project Management	762	444	1 206	37	10
Total base costs	6 725	5 067	11 792	43	100
Physical contingencies	330	203	532	38	5
Price contingencies	829	382	1 211	32	10
Total project costs	7 883	5 652	13 535	42	115

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Components	IFAD		Government		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
A. Support to MFI Development											
1. Professional development of MFIs	4 018	82	610	13	253	5	4 881	36	1 483	2 788	610
2. Expansion of MFI outreach	1 112	74	270	18	125	8	1 506	11	743	494	270
3. Support to innovative MFIs	2 076	79	451	17	100	4	2 627	19	1 154	1 023	451
Subtotal	7 206	80	1 330	15	478	5	9 015	67	3 380	4 304	1 330
B. Action Research	1 007	83	210	17	-	-	1 217	9	641	366	210
C. Support to the Ministry of Economy and Finance	1 763	92	145	8	-	-	1 908	14	1 132	632	145
D. Project Management	1 076	77	320	23	-	-	1 396	10	500	643	253
Total disbursement	11 052	82	2 005	15	478	4	13 535	100	5 652	5 945	1 938

^a Discrepancies in totals are due to rounding.





E. Procurement, Disbursement, Accounts and Audit

35. Procurement of goods and services under the loan will be as follows: (a) in terms of civil works (which are unlikely to attract international bidders due to geographic dispersion and limited amounts), all new constructions and the rehabilitation of premises for the PCU will be passed under national competitive bidding. Other rehabilitation works will be procured through local prudent shopping with offers from at least three suppliers; (b) vehicles and motor cycles will be procured through international competitive bidding; (c) equipment and office furniture will be grouped, to the extent possible, in packages of USD 5 000 or more, and procured through national competitive bidding procedures; however, acquisitions for less than USD 5 000 will be based on prudent shopping, after consultation with at least three suppliers; (d) contracts for training will follow local shopping procedures, requiring at least offers from three suppliers. Contracts are subject to prior review by IFAD and the cooperating institution; (e) contracts for consultancies and technical assistance will be passed in accordance with the cooperating institution guidelines; the terms of reference will be communicated to IFAD for approval; (f) small research grants under the action research component will be provided according to procedures acceptable to IFAD. During the transition phase preceding project implementation, a procurement plan will be drawn up, and specific criteria and arrangements will be determined in order to ensure transparency in procurement procedures.

36. In order to facilitate disbursements, a Special Account will be opened and maintained by the *Caisse autonome d'amortissement* (CAA) at a commercial bank or any banking institution acceptable to IFAD. The authorized allocation from the IFAD loan proceeds will be USD 800 000 equivalent in CFA Franc. This will be deposited upon loan effectiveness and fulfilment of initial disbursement conditions, including approval of the first year's programme of work and budget, and payment by the Government of its counterpart contribution, in the amount indicated below. No disbursement will be made under the action research component (including through the Special Account) until the Government has submitted proposals, acceptable to IFAD, regarding modalities for provision of small research grants and selection criteria for beneficiary institutions.

37. All withdrawal applications will be fully documented, except for expenditures in amounts less than the equivalent of USD 50 000, and for training for small research grants and operating expenditures. In these cases, statements of expenditures (SOEs) will be utilized, while the full documentation will be kept at the project site at the disposal of visiting supervision missions and external auditors. The Government will open a project account in a commercial bank into which it will deposit its counterpart contribution to the project costs, including taxes and duties that are not directly deductible at the time of procurement. A first deposit in CFA Franc will be made by the Government, in an amount equivalent to USD 200 000, as a condition of first disbursement for the IFAD loan.

38. The quarterly progress reports issued by the PCU will include a summary of the quarter's expenditure and projections for the coming quarter. Project books of account, to be closed on 30 June of each year, will be subject to an external, independent audit. The Annual Report issued in September of each year will include the Auditor's Report on management and accounts for the previous year, including an opinion of the auditors on the use of the special account and on the statement of expenditures.

F. Organization and Management

39. In accordance with Government's national microfinance policy, a Microfinance Unit will be created as a structural part of the Ministry of Economy and Finance, in recognition of its central mandate in microfinance development. At the same time, an NMFC will be established as a broad-based consultative body comprising representatives of the major MFI networks and the independent



COOPECs, the Government, the Central Bank and commercial banks. The executive arm of the NMFC will be its Secretariat, to be hosted by the Ministry of Economy and Finance.

40. In this context, the overall responsibility for the project will lie with the MINEFI. Day-to-day coordination activities will be carried out by a PCU which, for the purpose of field execution, will contract selected implementing agencies, including MFIs and specialized institutions. A steering mechanism will be established to advise on orientation of project activities, including the review of the annual programme of work and budget. External monitoring will be done by the microfinance unit (*Cellule*) within the MINEFI. Overall consultation among partners involved in the microfinance sector will be facilitated by the National Microfinance Committee (NMFC).

41. The aim is to ensure that the project orientation continues to meet the needs of its target groups, that there is broad-based participation in project decision-making and that the major policy implications are kept continually in mind. In this connection, the NMFC will meet quarterly and on an *ad hoc* basis when deemed necessary.

42. For the execution of project components, an operational manual (*Manuel de Procedures*) will be prepared during the pre-implementation phase and submitted to IFAD for approval as a condition for first disbursement under the IFAD loan. The operational manual will spell out the modalities for collaboration between the PCU and other partner agencies, including: contractual arrangements with concerned MFIs and their networks, for the project's support to training and professional development and consolidation of MFIs, network expansion, upscaling of promising achievements, action-research on innovative institutional approaches and development of new financial products, etc.

43. During the transition period, pending effectiveness of IFAD loan, a Special Operation Facility (SOF) will be made available by IFAD, to provide the necessary technical and financial support (supplemented with contributions from other donors) to lay the ground for a smooth start to the project. In this context, special attention will be paid to fine-tuning the interface between the activities funded by the IFAD loan and the SOF with the interventions of other bilateral and multilateral donors involved in the microfinance sector.

G. Economic Justification

44. The project is directly targeted at 470 MFIs, of which 360 already exist and 110 will be created under the expansion component. The 360 current MFIs have a membership of 135 000, while the 110 to be created will have an initial membership of 40 000 persons for a total of 175 000 persons reaching 4% of the country's active population. The already well-established MFIs networks expand their outreach at average annual rates of 8 and 10% respectively in terms of new units and new members. By contrast, the more recent systems introduced since liberalization in 1992 practically double MFI units and membership every year.

45. The component of the project concerned with institutional support to the microfinance unit and the National Microfinance Committee will facilitate implementation of measures aimed at creating a sound framework for microfinance development. The component to reorient, restructure and expand the major networks and raise the professional capacities of MFI practitioners will complement the policy and regulatory component by creating strong, viable and controllable networks that are transparent and accountable. Network expansion and densification will make financial services available to economically high-potential zones and operators that presently have no access to these services. Consolidation and expansion of innovative MFIs will upgrade many informal MFIs (*tontines*) and create linkages with the wider financial system thereby opening up prospects for bringing into the country's development efforts the huge resources currently outside the reach of formal and semi-formal institutions.



46. These actions will accelerate the current growth rates in MFI membership (bringing total beneficiaries to 500 000 persons, representing 10-12% of the active population by the end of the project) . The related acceleration of MFI business operations will raise the levels of resource mobilization and financial intermediation in the country, with an attendant impact on its development.

H. Risks

47. The risks identified in respect of the proposed project are related to implementation of conducive policies, enforcement of regulations and effective project management. The project assumes that the Government will maintain the momentum of overall economic reform generally and, in particular, continue to support the development of microfinance as a key component of reform policy. The risk lies not so much in formalizing this undertaking and even adopting relevant legislation and regulatory texts but in enforcing supervision and control measures. It is envisaged that such a risk will be mitigated by a combination of several factors, including continuing dialogue between the Government and its external partners on economic reform (and related conditionalities monitored by the IMF and the World Bank), the specifically expressed concern about the need for the Government not to annihilate previous efforts to sanitize the financial sector, and the imminent institutionalization of ongoing participatory processes in relation to the microfinance sector (through establishment of a Microfinance Unit and an NMFC as a condition for loan effectiveness).

48. As far as project management is concerned, specific assurances will be sought during loan negotiations to ensure that recruitment of key management staff and technical assistance will be based on procedures acceptable to IFAD as a condition for loan effectiveness.

I. Environmental Impact

49. There will be no significant alterations in the physical environment resulting directly from project actions. Institutional support to provide a healthy, competitive environment for microfinance services, professional development and network strengthening will enhance the viability of microfinance institutions and services, and not be directly concerned with the production or other activities of the beneficiaries of these services.

50. On the basis of the above assessment, and in line with IFAD administrative procedures for environmental assessment, the project is classified as “low” B.

J. Innovative Features

51. The project is designed to assist the Government in developing the entire of rural and microfinance system, helping to coordinate the activities of all major stakeholders and, in fulfilment of IFAD’s special mandate, intervening in particular areas to extend financial services by sustainable microfinance institutions to rural women and the poor. The focus of the project pertains to expanding and strengthening MFIs, and to enlarging financial services.

52. IFAD has played a key facilitator role by acting as the prime mover in bringing together government agencies, donors, MFI networks and NGOs. Project implementation has been conceptualized in a decentralized manner, with beneficiary MFIs and networks taking responsibility for their activities. The strength of the project will be direct implementation of project activities by the agencies, supported by technical assistance and other resources provided under the project.

PART III - LEGAL INSTRUMENTS AND AUTHORITY

53. A loan agreement between the Republic of Cameroon and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.



54. The Republic of Cameroon is empowered under its laws to borrow from IFAD.
55. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV - RECOMMENDATION

56. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Cameroon in various currencies in an amount equivalent to eight million fifty thousand Special Drawing Rights (SDR 8 050 000) to mature on and prior to 15 October 2039 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Fawzi H. Al-Sultan
President

SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Loan negotiations concluded on 1 December 1999)

1. In the name of the Government of the Republic of Cameroon (henceforth “the Government”), the *Caisse autonome d’amortissement* (CAA) undertakes to open and thereafter maintain a Project Account, denominated in CFA francs, with a commercial bank or other banking institution acceptable to IFAD. The Government shall make the proceeds of the loan available to the lead project agency for the purpose of executing the project, in accordance with annual work programmes and budgets (AWPBs) and customary national procedures for development assistance. During the course of project implementation, the Government shall make available to the lead project agency counterpart funds from its own resources in an overall amount equivalent to USD 2 million. To that end, within a reasonable period of time but no later than 30 days from the date of loan effectiveness, the Government shall deposit into the Project Account an initial amount in CFA francs equivalent to USD 200 000 to cover the first year of project operations; thereafter it shall replenish the Project Account, in advance on a yearly basis, in accordance with the requirements specified in the AWPB for the relevant project year.

2. The overall responsibility for the project shall rest with the Ministry of Economy and Finance (MINEFI). The PCU shall enter into agreements with executing agencies for the purpose of the field implementation of the different project components. The orientation of the project and approval of the AWPBs shall be assured by a steering mechanism. The financial systems and markets unit set up within the Directorate for Economic Control and External Financing of MINEFI shall be responsible for the external monitoring of project activities. Collaboration between the different partners operating in the microfinance subsector will be assured by NMFC.

3. The PCU shall enter into agreements with the different executing agencies. Those agreements shall specify the responsibilities of all parties. The disbursements of funds to such agencies shall be subject to the following conditions:

- (a) that support for expanding the outreach of the self-managed village savings and credit fund (CVECA) network shall be provided only once a satisfactory evaluation of the project has been undertaken, due account being taken of potential interventions on the part of other donors;
- (b) that no financial support shall be provided to CAMCCUL until such time as a general audit has been undertaken followed by the restructuring of the League and adoption of operations manuals;
- (c) that the establishment by the Microfinance and Development Organization of a resource centre open to all networks shall be based on a proposal, acceptable to IFAD, spelling out the added value of such a centre with regard to existing or planned training facilities for other networks. Implementation of the proposal shall be put into effect under the terms of a contract with the PCU;
- (d) that all requests to the PCU for the release of funds for the action research component shall be reviewed by a committee set up for that purpose; only requests that have been reviewed by the committee shall be taken into account; and
- (e) that the engagement of the NGO, Appropriate Development for Africa Foundation, under a contract with the PCU, shall accompany the expansion of the MC2s by providing them



with the necessary services and encouraging them to take steps to increase their resources.

4. Care shall be taken to ensure that the activities of the project shall not have an adverse effect on the environment. Nevertheless, the particularly fragile ecosystem in the southern part of Cameroon, influenced by the encroachment of the desert towards the south, is characterized by poor rains and progressive soil impoverishment. MFI's activities to expand financial services in this region will make it possible to increase the level of available resources, especially the small farmers. The uptake of agricultural inputs could be improved, thus leading to technical modernization and a positive impact on the environment.

5. The project monitoring and evaluation (M&E) unit shall: (a) conduct a baseline survey to measure the level of performance indicators from project start-up; (b) define a number of indicators at all project levels and apportion responsibility for tasks such as the collection, transmission, centralization and analysis of information and, ultimately, its synthesization and dissemination; (c) prepare two independent biennial evaluation reports; and (d) conduct a terminal evaluation of the project after six years, to be used for an independent evaluation of project impact.

6. Following the submission of a written proposal to IFAD within 30 days of loan effectiveness, the Government undertakes to provide the decentralized financial systems and markets unit with the necessary staff and equipment and to create the conditions to enable it to carry out its tasks in terms of: (a) implementation of the national microfinance policy; (b) monitoring the application of regulations; and (c) following up on the implementation of the national microfinance programme.

7. Following signature of the loan agreement, the Government undertakes to initiate the recruitment of project staff and the technical assistant who will be charged with preparing the operations manual and the first year's AWPB. The technical assistant shall be recruited within three months of loan effectiveness.

8. The following are specified as additional conditions to loan effectiveness:

- (a) the Government shall have officially adopted the national microfinance policy;
- (b) the Government shall have promulgated a legal text for the creation of the NMFC, specifying its objectives, composition and functions;
- (c) the Government shall have promulgated a legal text for the creation of the PCU, setting out its responsibilities, management methods and functions; and
- (d) a favourable legal opinion, issued by the Secretary-General of the Prime Minister's Office or other official authority acceptable to IFAD in both form and substance shall have been submitted to IFAD by the Government.

9. The following are specified as pre-conditions for the disbursement of loan proceeds:

- (a) the project operations manual shall have been prepared and submitted for the approval of IFAD;
- (b) the project shall have been registered under the Public Investment Programme for 2000/2001;
- (c) the counterpart funds needed for activities during the first year of the project shall have been deposited into the Project Account;



ANNEX

- (d) the Special Account shall have been opened by the CAA in the name of the Government in a commercial bank at Yaounde, acceptable to IFAD;
- (e) the staff of the project shall have been selected in accordance with national competitive recruitment procedures; the Coordinator and the Chief Account shall have taken up their responsibilities; and office accommodation adequate to house the PCU shall have been provided by the Government; and
- (f) the AWPB for the first year of the project shall have been approved.

COUNTRY DATA

CAMEROON

Land area (km² thousand) 1996 1/	465	GNP per capita (USD) 1997 2/	620
Total population (million) 1997 1/	13.9	Average annual real rate of growth of GNP per capita, 1990-97 2/	-3.3
Population density (people per km²) 1996 1/	29	Average annual rate of inflation, 1990-97 2/	6.4
Local currency	CFA Franc BEAC (XAF)	Exchange rate: USD 1 =	XAF 620
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1980-97 1/	2.8	GDP (USD million) 1997 1/	9 115
Crude birth rate (per thousand people) 1997 1/	39	Average annual rate of growth of GDP 1/ 1980-90	3.4
Crude death rate (per thousand people) 1997 1/	11	1990-97	-0.1
Infant mortality rate (per thousand live births) 1997 1/	52	Sectoral distribution of GDP, 1997 1/	
Life expectancy at birth (years) 1997 1/	57	% agriculture	41
Number of rural poor (million) (approximate) 1/	2.4	% industry	21
— Poor as % of total rural population 1/	32.4	% manufacturing	10
Total labour force (million) 1997 1/	5.7	% services	38
Female labour force as % of total, 1997 1/	38	Consumption, 1997 1/	
Education		General government consumption (as % of GDP)	8
Primary school gross enrolment (% of relevant age group) 1996 1/	89	Private consumption (as % of GDP)	71
Adult literacy rate (% of total population) 1995 3/	63	Gross domestic savings (as % of GDP)	21
Nutrition		Balance of Payments (USD million)	
Daily calorie supply per capita, 1995 3/	2 199	Merchandise exports, 1997 1/	1 814
Index of daily calorie supply per capita (industrial countries=100) 1995 3/	70	Merchandise imports, 1997 1/	1 296
Prevalence of child malnutrition (height for age % of children under 5) 1992-97 1/	n.a.	Balance of merchandise trade	517
Prevalence of child malnutrition (weight for age % of children under 5) 1992-97 1/	n.a.	Current account balances (USD million)	
Health		before official transfers, 1997 1/	- 207
Health expenditure, total (as % of GDP) 1990-97 1/	1.4	after official transfers, 1997 1/	- 120
Physicians (per thousand people) 1990-97 1/	0.07	Foreign direct investment, 1997 1/	45
Percentage population without access to safe water 1990-96 3/	50	Government Finance	
Percentage population without access to health services 1990-95 3/	20	Overall budget surplus/deficit (including grants) (as % of GDP) 1996 1/	0.2
Percentage population without access to sanitation 1990-96 3/	50	Total expenditure (% of GDP) 1996 1/	12.7
Agriculture and Food		Total external debt (USD million) 1997 1/	9 293
Food imports as percentage of total merchandise imports 1997 1/	14	Present value of debt (as % of GNP) 1997 1/	93
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	53	Total debt service (% of exports of goods and services) 1997 1/	20.4
Food production index (1989-91=100) 1995-97 1/	118.7	Nominal lending rate of banks, 1997 1/	16.0
Land Use		Nominal deposit rate of banks, 1997 1/	5.5
Arable land as % of land area, 1996 1/	12.8		
Forest area (km ² thousand) 1995 1/	196		
Forest area as % of total land area, 1995 1/	42.1		
Irrigated land as % of cropland, 1994-96 1/	0.3		

n.a. not available.

Figures in italics indicate data that are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 19992/ World Bank, *Atlas*, 19993/ UNDP, *Human Development Report*, 1998

PREVIOUS IFAD LOANS IN CAMEROON

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Currency	Approved Loan/Grant Amount
North West Rural Development	IFAD	AfDB	HC	16 Sep 80	06 Nov 81	30 Jun 91	L - I - 42 - CM	SDR	9 100 000
Second Western Province Rural Development	World Bank: IBRD	World Bank: IBRD	I	13 Dec 83	09 Sep 85	31 Dec 91	L - I - 140 - CM	SDR	13 700
Livestock Sector Development	World Bank: IBRD	World Bank: IBRD	I	29 Nov 88	29 Oct 89	30 Jun 95	L - I - 230 - CM	SDR	8 400 000
National Agricultural Research and Extension Programme Support	World Bank: IDA	World Bank: IDA	HC	10 Sep 98	09 Jun 99	30 Jun 03	L - I - 478 - CM	SDR	7 900 000



EXPENDITURE ACCOUNTS BY COMPONENTS

BASE COSTS (USD'000)

	Support to MFI Development			Action Research Action	Support to Ministry of Economy and Finance	Project Management Project	Total	Physical Contingencies	
	Professional Development of MFIs	Expansion of MFIs' Outreach	Support to Innovative MFIs					%	Amount
I. Investment Costs									
A. Civil works	327.9	649.2	531.1	-	-	16.4	1 524.6	5.0	76.2
B. Vehicles	183.5	-	153.0	-	109.8	60.7	507.0	2.5	12.7
C. Equipment and furniture	392.3	378.7	514.4	-	52.5	77.9	1 415.8	5.0	70.8
D. Training	1 574.1	32.5	-	-	234.1	36.1	1 876.8	5.0	93.8
E. Technical assistance	428.7	-	245.9	75.0	585.0	-	1 334.6	1.7	22.1
F. Consultancies, studies and audits	543.4	-	32.8	-	-	295.1	871.3	5.0	43.6
G. Research grants	-	-	-	983.6	-	-	983.6	5.0	49.2
Total Investment Costs	3 450.0	1 060.3	1 477.2	1 058.6	981.4	486.0	8 513.6	4.3	368.4
II. Recurrent Costs									
A. Staff salaries and allowances	354.1	-	472.9	-	522.3	433.2	1 782.4	5.0	89.1
B. Vehicle running expenses	162.3	-	135.2	-	98.4	57.0	453.0	5.0	22.6
C. Office running expenses	285.2	216.4	206.6	-	104.3	230.2	1 042.6	5.0	52.1
Total Recurrent Costs	801.6	216.4	814.7	-	724.9	720.4	3 278.0	5.0	163.9
Total BASELINE COSTS	4 251.6	1 276.7	2 291.9	1 058.6	1 706.3	1 206.4	11 791.6	4.5	532.3
Physical Contingencies	196.4	63.8	110.8	49.2	53.3	58.8	532.3	-	-
Price Contingencies	432.9	165.8	224.7	109.4	148.3	130.3	1 211.3	4.5	54.9
Total PROJECT COSTS	4 880.9	1 506.4	2 627.4	1 217.1	1 908.0	1 395.5	13 535.3	4.3	587.2
Taxes	609.9	269.6	450.6	210.3	144.6	253.2	1 938.2	4.6	89.1
Foreign Exchange	1 483.4	743.1	1 153.8	640.5	1 131.5	499.7	5 652.0	3.9	218.4



LOGICAL FRAMEWORK

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>Development Objective:</p> <p>To improve access to financial services, particularly in rural areas and for women and the poor, through properly supervised and sustainable microfinance institutions (MFIs)</p>	<p>Increase in MFI clientele; proportion of women and poor people receiving loans; business expansion and capitalization; and loan repayment rates</p>	<ul style="list-style-type: none"> • MFI records • Surveys 	<p>Political will to reform the economy continues to exist, with emphasis on microfinance as a key component</p>
<p>COMPONENT I. Objectives</p> <p>1.1 Support implementation of an effective system of prudential regulation and supervision of microfinance institutions in rural areas</p> <p>1.2 Render MFIs (whether as networks or not) capable of ensuring their own control and supervision</p>	<p>1.1 Supervisory and control agencies strengthened and performing</p> <p>1.2 Control responsibilities are defined along the hierarchy of organs and internal control mechanisms are in place within MFIs</p>		<p>Government willing to enact and enforce appropriate legislation and regulation</p>
<p>1.2. Activities</p> <p>1.2.1 Render operational and support working of National Microfinance Committee (NMFC)</p> <p>1.2.2 Strengthen Microfinance Unit in the Ministry of Economy and Finance</p> <p>1.2.3 Send Ministry's staff on special training and study tours</p> <p>1.2.4 Create and strengthen professional associations of MFIs and independent operators</p> <p>1.2.5 Strengthen MFI central services and help MFIs comply with new legislation</p>	<p>1.2.1 NMFC created and meeting regularly (quarterly)</p> <p>1.2.2 MFI unit endowed with appropriate human and material resource, and has operational work plan which is followed: six professional staff, vehicles, equipment, field visits</p> <p>1.2.3 Number of professional staff in MFI unit trained and functional: six</p> <p>1.2.4 Professional associations with clear goals and work time tables in existence</p>	<ul style="list-style-type: none"> • Periodic progress reports • Supervision mission reports • Biennial and terminal evaluations of programme 	<p>Government willing to issue policy paper and create NMFC</p> <p>MFIs are able and willing to respond to control and supervision requirements of monetary authorities</p> <p>Qualified staff available for appointment and training in control and supervision of MFIs</p>





NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>COMPONENT II Development and Professionalisation of MFIs General objective: Develop microfinance services (and the networks providing them) to reach all segments of the population</p> <p>2.1. Upgrade the professional levels of MFIs and develop programmes to ensure steady outflow of expertise in microfinance on a regular basis</p> <p>2.2. Expand network services to low-income groups and zones</p> <p>2.3 Support emergence and expansion of MFIs innovating in poverty and gender targeting</p>	<p>A comprehensive infrastructure of MFIs and networks and apex organizations with cost effective services for network members including low income people and women</p> <p>2.1. MFIs with sound management practices including prudential ratios: 470</p> <p>2.2. Number of new MFI units reaching more women, low-income people rural and zones: 110</p> <p>2.3. Apex organizations of innovative networks strengthened, existing member MFIs strengthened and new units created</p>	<ul style="list-style-type: none"> • Reviews of quality of MFI reports 	<p>MFI networks and institutions willing to improve their capacities</p> <p>Training and systems development can improve capacity</p> <p>Training programme will be financially rewarding</p> <p>MFIs and their networks will organize themselves and be willing and able to host an integrated resource centre</p>
<p>2.2. Activities</p> <p>2.2.1. Upgrade professional levels of MFIs</p> <p>2.2.1.1. Baseline study of professional levels of MFIs and inventory of resource needs of networks and isolated MFIs</p> <p>2.2.1.2. Training of training coordinators</p> <p>2.2.1.3. Support MFIs and networks to organize and run training courses for elected officials and staff</p> <p>2.2.1.4. Support emergence of integrated resource centre with documentation and training facilities</p>	<p>2.2.1.1. Baseline study report available and training needs of networks and isolated MFIs identified</p> <p>2.2.1.2. Training coordinators trained: one coordinator for 10 MFIs</p> <p>2.2.1.3. Six elected officials, one manager and two accountants/credit analysts trained for each of the 470 MFIs</p> <p>2.2.1.4. Documents centre with outreach facilities operating and training centre producing 50 graduates annually</p>	<ul style="list-style-type: none"> • Programme progress reports • MFI records <p>Periodic supervision missions</p>	

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>2.2.1.5. Strengthen, reorient and structure MFIS and central services of major networks</p> <p>(a) Build/strengthen monitoring and control capacity of Appropriate Development for Africa Foundation (ADAF)</p> <p>(b) Restructure Cameroon Cooperative Credit Unions League (CAMCCUL), and develop its corporate focus and modernize approach to financial services</p> <p>(c) Rehabilitate existing MIFs (equipment and facilities)</p> <p>2.2.2. Expand MFI services in rural areas</p> <p>2.2.2.1 Support creation of new <i>mutuelles communautaires de croissance</i> (MC2) units</p> <p>2.2.2.2 Support creation of new village savings and credit associations (CVECA)s</p> <p>2.2.2.3 Support creation of other MFI units in rural areas</p>	<p>2.2.1.5. Apex organizations providing effective controls and services to member MFIs at competitive cost</p> <p>(a) Frequency and quality of monitoring and control of MC2s by ADAF increased</p> <p>(b) New CAMCCUL organizational structure with credit unions stratified and operational policies in place</p> <p>(c) Number of existing MFIs(rural COOPECs credit unions) rehabilitated: 100</p> <p>2.2.2.1. Number of new MC2 units created and functional: 16</p> <p>2.2.2.2. Number of new CVECA)s created and functional: 50</p> <p>2.2.2.3. Number of other MFI units created:44</p>		<p>ADAF and CAMCCUL are willing and able to respond to organizational reorientation and institution-building actions</p> <p>Microfinance services are needed in target areas and by target population (women and low-income people)</p>
<p>2.2.3. Consolidate and expand innovative MFI networks</p> <p>2.2.3.1. Staff training and management support to build internal controls and technical capacity in central services of identified networks</p> <p>2.2.3.2. Basic training for elected officials and staff of member MFIs</p>	<p>2.2.3.1. Control, monitoring and evaluation mechanisms existing and functioning within apex organizations of innovative networks</p> <p>2.2.3.2. Number of officials and staff with management skills; number of study visits undertaken and findings reported to members of MFI units</p>		<p>Innovative identified MFIs have the capacity to absorb the expansion programme without changing the focus of their activities</p>





NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS/RISKS
<p>2.2.3.3 Develop linkages with higher level MFIs and commercial banks for refinancing and liquidity exchange</p> <p>2.2.3.4 Reinforce security systems in basic MFI units</p> <p>2.2.3.5 Create new MFI units in high potential areas</p>	<p>2.2.3.3. Number, size and duration of loans to members</p> <p>2.2.3.4. Relatively secure premises with facilities for storing money over short periods in place in 80 units</p> <p>2.2.3.5. Number of new units with critical mass of members functioning in high potential areas: 41</p>		
<p>COMPONENT III: ACTION-RESEARCH</p> <p>3.1. Objective: To support the review and compilation of case studies based on best practices, packaging in a user-friendly format and dissemination of MFI experiences in institutional and product innovation</p> <p>3.2. Activities</p> <p>3.2.1. Design and conceptualization</p> <p>3.2.2. Field-testing of new products and services</p> <p>3.2.3 Disseminate results in workshops, seminars, field days, published books and memoirs</p>	<p>3.1. Information on various approaches to financial services and experiences available and accessible to practitioners</p> <p>3.2.1. Number of action research development proposals and protocols: 10</p> <p>3.2.2. Reports of field tests</p> <p>3.2.3. Reports and publications</p>	<ul style="list-style-type: none"> • Programme progress reports • Periodic supervision missions • MFI records 	

MONITORING INDICATORS

1. The following indicators will be useful in monitoring and evaluating project progress and achievements of the project:

Professional Development Component

- Number of microfinance courses ran;
- Number of microfinance institutions (MFIs) participating in the courses;
- Number of participants (elected officials, MFI managers, accountants, credit analysts and training coordinators) trained;
- Number of existing MFIs (of the major networks) refurbished;
- A resource/documentation centre established;
- An appropriate management system put in place for CAMCCUL, five CAMCCUL regional offices, two liaison and one central office of ADAF established and equipped; and
- A microfinance course developed and tested, and incorporated in the training programme of microfinance professionals;
- Growth in membership of the MFIs; and
- Growth in amounts of deposits mobilized and loans granted by MFIs.

Expansion of MFI Outreach Component

- Number of new MFIs established, well equipped and functional.
- Growth in membership of the MFIs; and
- Growth in amounts of deposits mobilized and loans granted by MFIs.

Support to Innovative MFIs Component

- Number of existing MFIs (village clubs) refurbished;
- Number of new MFIs established and functional;
- Number of apex bodies of the innovative MFIs (e.g. Community Unit Trust (CUT), Common Fund for Grass-Roots Organizations (FOCAOB), SOS Women) equipped and functioning well;
- Growth in membership of the MFIs; and
- Growth in amounts of deposits mobilized and loans granted by MFIs.

Action Research

- Number of innovative financial products investigated with the research grants, and incorporated into the operations of the MFIs

Support to MFI Unit

- A well-equipped, better-trained staff and functional MFI Unit closely supervising the development of the sector
- A functional NMFC put in place, assisting with the formulation of policy and guiding the development of the sector.

Project Management

A functional Project Coordination Unit (PCU) put in place, and ensuring the timely implementation and project activities.



ORGANIZATION DU PROJET ET AGENCES D'EXECUTION

A. Schéma institutionnel

1. Le projet de Lettre de politique de la microfinance propose la création d'un Comité national de la microfinance (CNMF), organe consultatif de concertation et d'orientation. La création par le Gouvernement du CNMF sera une condition de mise en vigueur du prêt. Présidé par un représentant du Ministre des finances, il comprendrait, dès sa création, des représentants du MINAGRI, du MINAT, de la COBAC, de l'APECCAM, des associations professionnelles d'IMF et de leur fédération, des usagers des IMF et des organisations rurales et de la coordination nationale des projets, soit environ 12 membres. Son secrétariat sera assuré par la personne qui assurera aussi la direction du projet.

2. Le rôle du CNMF serait d'être d'abord un lieu de concertation, mais il pourrait avoir aussi un rôle consultatif vis-à-vis du Gouvernement, pour formuler un avis sur tout nouveau projet, quel qu'il soit, comportant un volet microfinance. Enfin, une de ses missions essentielles serait de superviser l'activité du Projet national d'appui à la microfinance, par un suivi périodique et l'approbation des programmes annuels de travail et des budgets (PTBA). Il définira les orientations et se prononcera sur les décisions importantes qui lui seront soumises.

3. Une unité de microfinance devrait être créée au sein de la DCE du MINEFI. Cette unité, partie intégrante de l'organigramme de la DCE, serait chargée: i) d'assurer l'application de la politique en matière de microfinance pour ce qui la concerne, soit l'agrément des IMF et la gestion d'une base de données; ii) la coordination des appuis extérieurs à la microfinance; et iii) suivi des activités du Projet. La création de cette unité par le Gouvernement constituera une condition de la mise en vigueur du prêt.

4. Une unité de coordination du Projet (UCP) sera établie, et sera responsable du suivi au jour le jour des activités du Projet (y compris la supervision de l'exécution des contrats de formations et de service), ainsi que la gestion financière et comptable des ressources du prêt du FIDA. L'UCP serait placée sous la tutelle du MINEFI et bénéficierait de l'autonomie administrative et financière. La tutelle du MINEFI s'exercerait à travers le CNMF présidé par lui, et l'UGP aurait des relations fonctionnelles avec l'unité microfinance de la DCE, et lui fournirait les appuis décrits ci-dessus. Les activités du projet seraient exécutées par des opérateurs nationaux, à travers des contrats passés avec l'UGP. La création de l'UGP par le Gouvernement dans les conditions ci-dessus, constituera une condition à la mise en vigueur du prêt.

5. Par ailleurs, l'unité de gestion du projet, du fait de sa structure et de son organisation ainsi que de son contrôle par le CNMF, pourrait être un point focal, une structure d'accueil, pour des contributions complémentaires à celle du FIDA, apportées par d'autres bailleurs de fonds pour l'évolution et la professionnalisation du secteur de la microfinance.

Agences d'exécution

6. Pour la professionnalisation, une étude de base sera confiée à un Bureau d'études local qui procédera à une première évaluation des besoins. Les actions de formation seront organisées par les structures faîtières des grands réseaux, par le Centre de ressources de l'association professionnelle, ou par des structures locales spécialisées dans les types de formation recherchés. La révision des structures internes, de l'organisation comptable et informatique, ainsi que la mise en conformité avec la réglementation des IMF isolées ou en réseaux sera également appuyée par l'assistance technique ou



7. par des opérateurs locaux. Pour l'extension des réseaux, le PNAM s'appuiera sur les structures faîtières, de même que pour l'émergence des structures innovantes; pour la recherche-action, le projet passera des contrats avec les réseaux ou des IMF pour tester de nouvelles approches ou produits.

B. Coordination et gestion du Projet

8. Deux organes seront chargés de la coordination et la gestion du projet.

i) Comité national de la microfinance (CNMF)

Son rôle sera d'agir comme comité de pilotage pour s'assurer que l'orientation du projet pourra satisfaire les besoins de bénéficiaires, qu'il y ait concertation et participation dans les prises de décisions du projet, et que les grandes lignes de la politique du gouvernement soient respectées. Dans ce contexte, le projet supportera les coûts de réunions trimestrielles du comité. A cet effet, les réunions portant sur l'orientation du Projet ou pour l'examen des PATB seront élargies aux principaux partenaires techniques (agences d'exécution) associés au Projet,

ii) L'Unité de Coordination du projet

La coordination du Projet sera une structure rattachée au MINEFI à travers le CNMF, jouissant de l'autonomie financière, ayant pour responsabilité la coordination et gestion du projet ainsi que le secrétariat du CNMF. Le Coordonnateur, fonctionnaire ou contractuel, sera sélectionné à la suite d'un appel à candidature au niveau national, en fonction de sa compétence, selon les procédures acceptables au FIDA. Il serait, pendant les trois premières années appuyé par un assistant technique de haut niveau. Celui-ci aurait pour mission de superviser les activités des unités comptables et suivi-évaluation et de leur obtenir les appuis nécessaires. Il aurait surtout à s'impliquer dans l'animation de l'unité technique et d'apporter à ses membres un appui constant. Il devra avoir une expérience de la banque, d'au moins 10 ans, dont au moins cinq ans dans la fonction crédit et avoir une expérience récente de la microfinance en Afrique. Outre le secrétariat, trois petites sections seraient rattachées à la cellule de coordination du Projet :

- un section administrative et comptable;
- une section de suivi-évaluation;
- une section technique, composées de deux spécialistes nationaux en microfinance. Le rôle de cette section serait d'évaluer les besoins des IMF, de rechercher les ressources capables de satisfaire ces besoins, d'établir les contrats et de les justifier auprès de la coordination du Projet enfin d'évaluer la qualité des prestations et les résultats des actions réalisées.

9. Les évaluations réalisées en cours du projet pourraient étudier les possibilités de transférer cette unité technique auprès de l'organisation centrale de la profession, fédération ou association professionnelle. Cette unité, devenue ainsi le service technique de la profession, serait soutenue de façon dégressive par le projet dans la perspective de son autonomisation au sein de la profession.

C. Procédures et responsabilités d'exécution

10. En général, les activités du Projet seraient exécutées par les IMF et les réseaux bénéficiaires, appuyés par l'assistance technique locale ou internationale et l'équipe technique du PNAM. Les IMF ou agences spécialisées seraient liées au Projet par des accords subsidiaires leur permettant de bénéficier des ressources du prêt, ou par des contrats de services décrivant les prestations à fournir (par exemple en matière de formation) par les agences spécialisées pour le compte de l'UCP. A cet effet un **manuel de procédures** sera élaboré pendant la période de transition (avec l'assistance du FIDA) et soumis au FIDA et à l'Institution Coopérante, comme une condition de premier



décaissement. Ce manuel contiendra entre autres, les détails concernant les procédures de passation de marchés pour les biens et services, ainsi que les modalités d'adjudication des subventions de recherche.

11. Pour le volet consolidation et professionnalisation, la direction du projet lancerait un appel d'offres à l'intention des cabinets et bureaux d'études locaux et passerait un marché sur la base des critères définissant clairement la nature et l'étendu de services requis. Les grands réseaux qui pourraient assurer le recyclage de leurs élus et personnel devraient être également liés par contrat passé avec la direction. La création par le MIFED d'un Centre de ressources transféré à l'association professionnelle et soutenu par le PNAM permettra l'exécution dans les meilleures conditions d'une partie des programmes de formation et de professionnalisation.

12. Concernant l'extension de réseaux en zone rurale, les structures faîtières des réseaux bénéficiaires devraient préparer des programmes de travail avec les coûts correspondants et les soumettre à l'approbation de la direction du projet. Ces programmes devraient ensuite être transformés en contrats entre les réseaux et la direction. Il en sera de même pour la recherche-action.

13. Pour l'appui institutionnel, l'unité microfinance en cours de création au sein du MINEFI devrait être formalisée et ses termes de références clairement définis. L'unité serait ensuite appuyée par un opérateur en vue de d'établir un programme de travail opérationnel et des manuels de procédures.

D. Dispositifs visant à favoriser la participation

14. L'exécution du projet a été conçue de façon décentralisée, chaque IMF bénéficiaire pouvant s'approprier l'origine des activités et la responsabilité des résultats. Le succès d'une telle stratégie dépendra d'une équipe de gestion du projet capable de travailler en synergie avec le CNMF, son secrétariat, la Direction du projet d'appui et les responsables des agences d'exécution. Ces responsables et l'opérateur (les opérateurs) local (aux) établiront un schéma de réunions et de coordination d'environ 1 fois par mois. La force du projet résidera dans sa capacité à assurer directement la mise en œuvre des programmes par les opérateurs retenus, avec l'appui de l'assistance technique et grâce aux autres ressources mises à disposition par le projet.

ORGANIZATIONAL CHART

