

Financial sector – Cameroon

Final version- November 2012



In this annex you will find a full report on the Financial Sector of Cameroon resulting from our FSAS desk study. The report describes the level of Access to Finance in Cameroon and lists all banks active in Cameroon at the time. Through a desk- and internet study we have researched the services offered by each bank and which potentially could be useful for the Forestry Sector in Cameroon. Also through desk- and internet study we have researched the major Micro Finance Institutions of Cameroon and their suitability for servicing the Forestry Sector. This report also offers a full description of the identified Banks and Micro Finance Institutions. The report also lists those banks and MFI's, which to our opinion, could potentially be the most interesting to approach for providing their services to the Forestry Sector.

1. Access to Finance in Cameroon

According to the IMF (report 2009), the financial intermediation in Cameroon is among the lowest in Sub-Saharan Africa, with less than 5% of the population having access to banking services. The micro finance sector is becoming increasingly important but its supervision needs to be strengthened.

68.02% of firms identify access to and cost of finance as a major constraint¹ in Cameroon. The Doing Business 2012 ranking of the World Bank, places Cameroon on rank 98 (out of 183), regarding Access to Credit in 2012. This while the ranking in 2011 was still significantly lower, namely 139. Improvements over the last year have been: an increase in strength of legal rights and increase of coverage of public registry. For reference purposes; Gabon and Congo Republic are rated 98 as well for 2012, while Ghana is ranked at 48 (better) and the regional average of Sub-Saharan Africa is 110 (worse). A significant improvement on access to finance has therefore taken place between 2009 (report IMF) and 2012 (report World Bank).

If we look at some detailed information of the World Banks' Doing Business 2012 report regarding Cameroon, we see the following particulars of (in)direct importance to the timber & NTFP sector in Cameroon:

Strength of legal rights index (0-10): score Cameroon 2012: 6

- Any business in Cameroon can use moveable assets as collateral while keeping possession of the assets; and any financial institution accepts such assets as collateral (such as vehicles and saw mills), etc.
- In Cameroon a general description of debts and obligations is permitted in collateral agreements, all types of debts and obligations can be secured between parties; and the collateral agreement can include a maximum amount for which the assets are encumbered
- But, there is not yet a collateral registry in operation in Cameroon, that unifies geographically and by asset type, with an electronic database indexed by debtor's names.
- Another major obstacle is that in Cameroon secured creditors are, in practice, not paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure.
- Also secured creditors are not paid first (i.e. before general tax claims and employee claims) when a business liquidates.

¹ The computation of the indicator is based on the rating of the obstacle as a potential constraint to the current operations of the establishment

Some basic data on access to finance in Cameroon, taken from 'Banking the Poor' published by the World Bank in 2008 (see table below) shows us that in Cameroon, in comparison to the average for Africa:

- The loan processing time is double in comparison to the African average. This while DRC, Gabon and Ghana (all 3 also timber nations) score better than the African average.
- The start-up loan processing fee is below the African average. In DRC this fee is even lower, while Ghana has a very high average fee.
- Complexity of loan application in Cameroon is low in comparison to the African average
- Financial institutions in Cameroon tend to be, on average, a little less flexible on collateral than the average financial institution in Africa.

According to the IMF there is considerable scope for progress with regard to the supply of finance to SME's. However there are obstacles from the demand side as well. In particular access issues need to be considered within the broader context of improving the business environment. These actions should include support for SMEs to strengthen their technical, administrative and financial management capacities.

When looking at the actual percentages of firms having access to bank loans, we see the following: In Cameroon the % of small and micro firms with bank loans surpasses the average % of firms in Africa with a bank loan, this while DRC and Ghana score significantly below the African average and no data are available for Gabon. Also we see that in Cameroon most small and micro enterprises use these loans for working capital, while in DRC and Ghana most loans to SME's are used for investment. Nevertheless all three countries, including Cameroon, score below the African average in number of SME's using loans.

In Cameroon 81% of small firms and 70% of micro firms view access to finance as a constraint. This is almost the African average. In both DRC and Ghana these constraint percentages are significantly higher.

Indicator	Africa	Cameroon	Dem Rep of Congo	Gabon	Ghana
CREDIT					
Business loan processing time (days)	6.53	12.67	3.50	1.00	5.00
Startup loan processing fee (%)	1.07	0.80	0.56	1.00	2.00
Collateral-to-loan-value ratio (%)	90.45	100.00	85.00	-	90.00
Maximum terms for startup loan (years)	4.60	4.50	1.50	-	5.00
Index of business loan application complexity	0.75	0.50	1.00	0.00	0.88
Index of collateral flexibility	0.71	0.81	0.72	0.89	0.00
SMALL & MICRO FIRMS USING BANK LOANS (% of firms)					
Small firms with bank loans	27.00	32.00	5.03	-	12.26
Micro firms with bank loans	19.00	22.58	3.68	-	10.00
Small firms that use loans for working capital	9.82	10.55	1.62	-	3.56
Micro firms that use loans for working capital	8.35	7.76	1.42	-	2.79
Small firms that use loans for investment	12.51	5.37	3.61	-	3.11
Micro firms that use loans for investment	10.06	4.75	2.90	-	2.49
Small firms that view access to finance as constraint	81.00	80.81	95.88	-	94.97
Micro firms that view access to finance as constraint	67.00	70.35	88.82	-	86.36

2. The Financial Sector of Cameroon

2.1. Characteristics of the Financial Sector in Cameroon

A 2009 publication of the IMF on the Financial System of Cameroon indicates that:

- the Cameroon Financial sector is dominated by the banking sector,
- the number of Non-Performing Loans among the banking sector is relatively high
- regional prudential regulations has improved significantly, but several banks still do not comply with the capital adequacy and risk exposure ratio's.
- foreign owned banks are better capitalized than domestic banks, which are also more vulnerable to credit risk. Profitability and solvency of the latter are under pressure due to decreasing interest margins.
- banks provide a narrow range of financial products; loans are for the most part short term.

IMF concludes a/o that the financial problems of the two existing government-sponsored financial institutions argue against the creation now of new government-sponsored institutions to finance SME's and agriculture. To the opinion of IMF, the Cameroon authorities should focus on addressing the obstacles to access financial services rather than on establishing new government-sponsored financial institutions. The scope for developing financial products better suited to SME's is constrained by weaknesses in the business environment and the binding limits on banks' lending rates. Against this background, according to the IMF, high priority should be given to addressing legal and judicial weaknesses in order to strengthen the business environment.

As key recommendation IMF a/o names:

- enhance the supervision of Micro Finance Institutions
- enhance the information base on debtor risk, which entails building the capacity of SMEs to produce and disseminate financial information
- Improve commercial and land registries
- Strengthen the judicial system (specialize some judges in commercial and financial law, and add commercial chambers within the largest court jurisdictions),
- Move towards comprehensive adoption of the International Financial Reporting Standards (IFRS).

2.2. The Banks of Cameroon

Cameroon's financial system is the largest in the CEMAC. The banking system consists of 11 commercial banks (of which the 6 largest are foreign owned) and 2 government-owned specialized financial institutions (CAMPOST and CFC). 3 of the 11 commercial banks and three of the nonbanking financial institutions are specifically targeting SMEs as their main customers, and 2 others banks have special units dedicated to financing for SMEs. However, High credit risk, together with the lack of long-term deposits, has resulted in limited lending activities to SMEs and in the predominance of short-term lending. Some banks are concluding strategic alliances with MFI's in order to explore and deepen their penetration of the SME market.

Nonbank financial institutions, insurance companies, 2 pension funds a social security fund and over 700 MFIs represent the remainder of the sector.

2.2.1. Afriland First Bank – Cameroon

The bank was created in 1987 under the name Caisse Commune d'Epargne et d'Investissement.

The Afriland First bank represents a/o:

- the determination of Africans to fight against poverty and own their destiny;
- the revalorization of African cultures in order to make them the base of an awareness and development policy
- the provision of financing alternatives for African private initiatives
- the recognition of SME/SMI as pillars of economic recovery

Their year report 2010 indicates that the bank has 23 branches in Cameroon; the majority however situates in Douala and Yaounde. Furthermore the report indicates that the bank offers a/o micro finance and focuses also specifically on SME's.

The bank offers several financial products specifically for Rural Development, SME/SMI and communities; such as:

- **MC2 Loans**
Collective and individual loans to the MC2 members. MC2 loans cover a wide range of areas such as agriculture, trade, livestock, craftsmanship, housing, studies, traditional events, health, weddings, equipment, etc.
- **Venture Capital**
- **Micro Trust Fund (MITFUND)**
A venture capital fund for micro-projects. It was developed by First Bank and its partners to meet the financing needs of micro-enterprises in general. Since its creation in 2000, MITFUND has raised CFAF 550 million and financed more than 200 micro-entrepreneurs and micro-finance institutions.

2.2.2. Atlantic Bank Cameroon (Groupe Banque Atlantic)

A West African Financial Services conglomerate headquartered in Lome, Togo. Not much information can be found through the internet on the Atlantic Bank in Cameroon specifically. Only standard information for the entire conglomerate is supplied. The bank focuses mainly on retail finance (supplying finance to end-users; individuals / consumers), but also indicates that next to retail they offer services for SME's and SMI's.

2.2.3. Banque International du Cameroon pour l'Epargne et le Cr dit (BICEC)

With almost 300.000 clients and 32 agencies, the BICEC is the largest banking network in Cameroon. Groupe BPCE is major shareholder in the bank, next to a/o the Cameroon government (17,5%), BICEC personnel (5%) and private Cameroon shareholders (7,5%). The bank mainly supplies mid-term credit products, 2nd are short term credit products, 3rd overdraft facilities and 4th long-term credit². Specifically for enterprises the bank offers investment credit (cr dit d'investissement) for investment in immovable realty. Also the bank offers leasing products (cr dit bail) for equipment and machinery. Next to these long-term credit products the bank offers a number of short-term-products specifically for enterprises, ranging from short term loans/overdraft facilities for short term cash flow problems (escompte de papier commercial), seasonal credit (cr dit de campagne) specifically aimed at enterprises which are active in seasonal activities and Factoring Services (BICEC Factor) where an enterprises can offers all its outstanding debtors to the bank for the bank to collect payment. This being an interesting option for those enterprises who have to deal with a long waiting period between the moment of invoicing and receiving actual payment.

2.2.4. Citibank

A short internet search does not give any information about City Bank in Cameroon. The international website of Citibank (USA) does not even mention Citibank Cameroon.

2.2.5. Commercial Bank of Cameroon (CBC)

The bank caters for both individuals and businesses through a variety of financial products. CBC is the flagship of the Commercial Bank Group, headquartered in Douala, Cameroon, with subsidiaries in Chad, Central African Republic, Equatorial Guinea and S o Tom  and Pr ncipe. In 1997, following the closure of the Cameroonian operations of several International banks including Cr dit Agricole, BICIC and Meridien BIAO, Cameroonian corporate investors, private Cameroonian citizens and the German Investment Corporation (DEG), pooled resources and put together FCFA 3 billion to start Commercial Bank of Cameroon.

² Source: annual report BICEC 2010 http://www.bicec.com/pdf/Rapport_annuel_Bicec_2010.pdf

The financial results of September 2011 of the bank indicate that the bank mainly supplies short-term credit, some overdraft facilities, some medium term credit and no long-term credit. The same report also indicates that the bank currently copes with a large number of clients with arrears. Also the figures of September indicate that the total amount of outstanding credit has been declining with about 50% since 2009, this while the number of clients in arrears has increase almost 10-fold. This might not be the most favorable bank to work with concerning timber-enterprises or communities, since the bank hardly supplies medium term credit and supplies no long term credit at all. Next to that the above decline in total credit supplied and the extreme rise in clients in arrears does not paint a trustworthy picture.

2.2.6. Ecobank

Ecobank is a pan-African banking conglomerate, with banking operations in 30 African countries. It is the leading independent regional banking group in West Africa and Central Africa, serving wholesale and retail customers. The official name of the bank is Ecobank Transnational Inc (ETI), but is also known as Ecobank Transnational.

ETI, a public limited liability company, was established as a bank holding company in 1985 under a private sector initiative spearheaded by the Federation of West African Chambers of Commerce and Industry, with the support of the Economic Community of West African States (ECOWAS). In the early 1980s the banking industry in West Africa was dominated by foreign and state-owned banks. There were hardly any commercial banks in West Africa owned and managed by the African private sector. ETI was founded with the objective of filling this vacuum.

Ecobank International a/o offers the unique financial product Supply Chain Finance³. It features Receivables Based Financing, Trade Loans, Inventory/Warehouse Finance and other options. These solutions are designed to meet their clients' trade requirements. This information is supplied through the International Ecobank website. It is not clear if this product range is also offered by the Ecobank Cameroon.

Next to Supply Chain Finance, Ecobank also offers a large range of short-term, medium-term and long-term credit products; long-term credit such as acquisition finance and infra-structure finance, several forms of medium-term credit and short term credit such as factoring, overdraft facilities, etc.

Even though it is not clear of Ecobank Cameroon offers all services in the range of Ecobank International, Ecobank Cameroon would be a good starting point for negotiation in Cameroon if timber companies are in need of supply-chain finance, long-, medium- or short-term credit. This because experience and know-how concerning supply chain finance is available, in reach and actively promoted within and by Ecobank International. Secondly since the bank offers all types of credit (short-, medium- and long-term) and is a bank solely operating in Africa. It is very likely that if an interesting investment opportunity exists in Cameroon, the bank would be well positioned with its own (international) experience and know how, to apply their products in Cameroon as well.

2.2.7. National Financial Credit Bank (NFCB)

NFCB was formed in 1989 as National Finance Credit Company (NFCC). Since inception, NFCC has been functioning as a savings and credit institution. NFCC received a full banking license in 2006 and rebranded to its current name. Very little information about this bank can be found on the internet.

2.2.8. Oceanic Bank

Oceanic International is a Nigerian Bank with a subsidiary in Cameroon; being the Union Bank of Cameroon (UBC). Little information about Oceanic Bank is found on the internet besides an article of

³ Source: <http://www.ecobank.com/supply.aspx>

August 2011⁴ announcing the merger of Oceanic Bank International with Ecobank after financial problems within Oceanic Bank. The Union Bank of Cameroon (UBC) which had been saved from bankruptcy by the Oceanic Bank, therewith also becomes part of Ecobank. As far as can be concluded from this desk/internet research it would be advisable not to concentrate on Oceanic Bank or Union Bank of Cameroon (UBC), but to concentrate on Eco Bank instead.

2.2.9. Société Commerciale de Banque de Cameroun (SCB Cameroun)⁵

Since April 2011 this bank is owned by le groupe Marocain Attijariwafa Bank (51%) and the Cameroon government (49%). Their mission statement a/o states the mission to participate in the economic development of Cameroon through the support of SME's and SMI's. The Groupe Marocain Attijariwafa bank is active in a/o Maghreb (Tunisia and Mauretania), West Africa (Senegal, Burkina Faso, Mali and Ivory Coast), Central Africa (Cameroon, Congo Brazzaville and Gabon) and Europe. Through this desk/internet study it is difficult to determine the banks enterprise-finance activities in Cameroon. From the international website we learn that the bank is offering a range of services to enterprises. Specifically for timber it might be interesting to visit the bank with concrete investment / finance options.

2.2.10. Société Générale des Banques au Cameroun (SGBC)

The bank has 22 agencies in Cameroon. The bank offers specific credit products for enterprises:

- leasing products (credit bail),
- classical credit products:
 - factoring,
 - overdraft facilities,
 - short term credit (2 years) and
 - medium term credit (2-5 years) for investments covering up to 70% of total investment costs and
- specific import/export credit.

2.2.11. Standard Chartered Bank

Standard Chartered is a market-leading financial services brand in Cameroon. The Bank has been operating in Cameroon since 1986. The Bank was voted the Most Profitable Bank in French-speaking Sub-Saharan Africa (2004) by the Ecofinance Magazine, and was a member of the commission n°2 "Financing the economy" of the inter-ministerial committee, extended to the private sector working hand in hand with the government to revamp economic growth. Standard Chartered Bank Cameroon is committed to making a positive and lasting contribution to the Cameroonian economy. In recognition of the Bank's Sustainability Agenda, the Seeing is Believing program received a "Social Responsibility award" from the Ministry of Social Affairs and the US Embassy in 2006.

The bank offers standard financial products mainly geared towards enterprises and institutions. It a/o offers factoring, regular credit and trade finance adapted to the cycle of the enterprise. The internet does not offer much information about the specific service of Standard Chartered in Cameroon. From other African Countries I know that they have been known to be somewhat innovative in supplying finance to MFI's and enterprises in an innovative way and as first mover. I would recommend to visit Chartered bank with one or more specific cases of entrepreneurs or groups in need of financial services in order to discuss the possibilities and limitations of Standard Chartered Bank in Cameroon specifically.

2.2.12. Union Bank of Cameroon (UBC)

See also paragraph 2.2.8 Oceanic Bank. Union Bank of Cameroon was saved from bankruptcy by Oceanic Bank International. However news articles from 2011 indicate that Ecobank subsequently took over Oceanic Bank International, due to financial difficulties of Oceanic Bank. An effect of this merger being

⁴ Source: http://www.bonaberi.com/ar/ecobank_rachete_oceanic_bank,8487.html

⁵ Source: <http://ebank.scbcameroun.com/fr/quisomn.html>

that also UBC became part of Ecobank. UBC still has a website⁶ operational, but no new articles or publications seem to have been posted after 2010. I would therefore advise to 1) gather information about the current status of the UBC while visiting Cameroon 2) concentrate on Ecobank for possible access to financial services for the timber program, this because Ecobank is operational and innovative in Financial services for enterprises and since it is a more stable bank than UBC and/or Oceanic Bank.

2.2.13. United Bank for Africa (UBA)

This bank is a Public Limited Liability company incorporated in Nigeria. It is a large financial services provider in Nigeria with subsidiaries in 20 sub-saharan countries. UBA Cameroon S.A. – Cameroon represents UBA's first operational base in Central Africa, commencing operations in December 2007. The website of the UBA Cameroon indicates that it offers a range of standard financial products for enterprises and individuals. No particulars found.

2.2.14. Amity Bank Cameroon

The Amity Bank is described as follows on the website of BID Network: 'A private-owned, medium size and reputable banking institution, with a strong orientation towards the private sector to serve viable small and medium size businesses in all their banking needs. AMITY BANK provides the full range of classical commercial banking products and services (savings and checking accounts, transfers, trade finance, etc). Market focus and orientation is directed towards the private business enterprises, the higher tiers of the individual market and export financing of commodities, raw materials such as coffee, cocoa and cotton. In addition, business and financial advisory services are available to customers. Commitment to creating growing value for our shareholders and securing and servicing resources deposited with us by our customers and partners.' The website of the bank itself is however not accessible. The description of the bank by BID Network is however very interesting and indicates forestry as one of the sectors of interest of the bank. I would therefore recommend to locally search for an update on the situation of the bank and if opportuun to visit the bank with one or more concrete investment opportunities in order to find out more about the possibilities and limitations of the bank.

2.2.15. Overview of most promising banks

As can be concluded from the paragraphs above, I would recommend visiting the following banks with concrete investment opportunities in order to explore the possibilities and limitations of those banks in serving the timber sector (in order of attractiveness):

- 1) Ecobank
- 2) Standard Chartered Bank
- 3) Afriland First Bank Cameroon
- 4) Banque International du Cameroun pour l'épargne et le credit (BICEC)

The following list of banks could be interesting, but to little information can be found through internet and desk research to really determine this. I would recommend to find out more about these banks locally before approaching them, but to not exclude them from the list before more research can be done:

- a) Amity Bank Cameroon
- b) Societe Generale des Banques de Cameroun (SGBC)
- c) Atlantic Bank Cameroon
- d) Societe Commerciale de Banque de Cameroun (SCB Cameroun)
- e) United Bank for Africa (UBA)
- f) National Financial Credit Bank (NFCB)

The last list indicates those banks which appear to be not suitable or in a problematic situation. It might be interesting to find out locally about the current situation about these banks, but I would doubt that they would be interesting for further exploration concerning access to finance for timber enterprises in Cameroon:

⁶ Website UBC: <http://www.unionbankcameroon.com/index.php/en/news-room.html>

- i) Commercial Bank of Cameroon (CBC)
- ii) Oceanic Bank
- iii) Union Bank of Cameroon (UBC)

2.3. Cooperation between Banks & MFI's in Cameroon

Commercial banks in Cameroon maintained a positive relation with MFIs in Cameroon, although each remains suspicious of the other for intervening in cross boundary activities. MFIs have always turned to commercial banks for franchising services such as money transfers, management of liquidity, and to a lesser extend funding. Others have created Bank MFI partnership such as BICEC investing in ACEP, SGBC in partnership with Horus Finance created Advans Cameroon, Ecobank in partnership with ACCION International introduced EB-ACCION while Afriland First Bank the market leader long created a rural banking brand in 1992 the MC2.

Relationship and cooperation between commercial banks and microfinance institutions continue to grow. Many commercial banks have identified MFIs as important cost effective rural banking channels to tap into the pool of resources in rural areas. The microfinance sector is developing rapidly in Cameroon and major promoters such as Afriland First Bank, CAMCCUL, BICEC, SGBC and UBC have to continue to contribute in finding solutions on how to move the industry to the next stage. MFIs continue to express needs in various fields, but most often lack the skills and resources to go about it. A partnership between commercial bank and an MFI tailored to each of these needs can be a way forward.

Stimulating new cooperation between banks and MFI's in Cameroon might not be very useful for the FORM/IDH timber program. In order to stimulate banks to enter a new market by itself or through cooperation with an MFI will require a large potential market ready to enter. It is my impression that the FORM/IDH program does not have a ready large continuous market in one particular geographical area in Cameroon. It could however be very opportune for the FORM/IDH Timber program to learn more about the existing cooperation between Banks and MFI's, especially if they jointly service geographical areas in which FORM/IDH is active.

The existing joint activities of the following Bank-MFI-combinations are interesting for FORM/IDH Timber program to know, and if active in the same region as the FORM/IDH program to seek cooperation in order to service the timber-activities of the communities partnering with FORM/IDH:

- a) Ecobank (bank) & ACCION International – EB-ACCION (MFI)
- b) Afriland First Bank (bank) – MC2 (MFI)
- c) BICEC (bank) – ACEP (MFI)
- d) SGBC (bank) & Horus finance – Advans Cameroon (MFI)

The 4 banks involved in these joint activities happen to rank in the top 4 of our analyses above, making these 4 banks even more interesting to explore.

2.4. Micro Finance Institutions of Cameroon

A total of 26 Cameroonian Micro Finance Institutions are registered with the Mix Market. Next to these institutions the following affiliated organizations are present in or working in Cameroon: 3 MFI-funders, 6 MFI networks and 7 MFI Service providers. This paragraph and sub-paragraphs will give more insight in the most important MFI's and affiliated organizations.

The study of Leonard Ajonakoh Fotabong, 2012, 'the Microfinance Market of Cameroon'⁷ informs us that the microfinance market of Cameroon registered an impressive double digit growth in 2011. Major players like CAMCCUL, CCA and MC2 penetrated the market aggressively and restored the customers'

⁷ Source: <http://www.microfinancegateway.org/gm/document-1.9.57347/The%20Microfinance%20Market%20of%20Cameroon.docxFinal.docxfinal2012.pdf>

confidence after the collapse of COFINEST. MC2, launched more than eight new units that fully went operational, while CAMCCUL registered more than 10 new units.

In early 2011, the government announced the official closure of COFINEST with major shareholders arrested for mal-practices and mismanagement in the market. This sparked fear within depositors and non-depositors who rushed in other microfinance institutions to withdraw their deposits. However, with quick action taken by major stakeholders such as the government to ensure creditors start receiving their funds, and assurance from other players such as CAMCCUL, MC2, and CCA customers gradually regain confidence.

The Cameroon microfinance landscape is dominated by class one institutions that control close to 86% of the market in terms of number of institutions and outlets, this with CAMCCUL as the market leader controlling a 55% of the overall market. In 2010, and 2011 category one MFIs constituted about 510 of the 589 institutions existing in Cameroon.

Informal institutions remain very strong in some rural areas of the country, with traditional associations, peer groups, “njangui”, elderly people and money lenders still competing effectively due to their 24hrs access, flexibility and matching of payments to the major income stream of the individual.

2.5. Demand for finance by FSC timber communities

Below you will find a description of the main MFI’s, the MFI’s in cooperation with banks and other promising MFI’s found through desk research. In order to narrow down the number of MFI’s promising for the FORM/IDH timber communities; we estimated the average need of finance of an average timber community. The calculations are based on the earlier analyses of two studies of SCNIC. Our analyses of those two studies, May 2012, showed that for the exploitation of 1 M³ of legal timber a community needs to spend 370 €. Other assumptions made are:

- In order to break even each community should at least exploit 200 M³ per year and sell at FOB price of € 550
- Each community can produce and sell 8 months per year
- 4 month delay between legal timber production and receipt of payment by FSC client
- The community has no reserves
- Below calculation is based on cash flow calculations and does not take into account non-cash costs such as depreciation.

YR 1 - with external finance – All amounts in Euro

	jan	feb	mrt	apr	may	june	july	aug	sept	okt	nov	dec	Total
M3 timber	50	50	25	12,50			12,50	25	12,50			12,50	200
Costs legal	18.500	18.500	9.250	4.625	0	0	4.625	9.250	4.625	0	0	4.625	74.000
Sales legal	27.500	27.500	13.750	6.875	0	0	6.875	13.750	6.875	0	0	6.875	110.000
Receipt of cash	6.875	0	0	6.875	27.500	27.500	13.750	6.875	0	0	6.875	13.750	110.000
Loan	15.000	20.000	5.000	0	0	0	-40.000						0
Cash position after loan	3.375	4.875	625	2.875	30.375	57.875	27.000	24.625	20.000	20.000	26.875	36.000	

From the above table and assumptions we can conclude that an average community, producing at a maximum capacity of 200 M³ per year, without reserves, would need a 40.000 € loan for a duration of 7 months, in order to meet all expenses and in order to keep a positive cash flow. In the example the loan is disbursed to the community in monthly transfers during the month January to March, while the loan is repaid to the lending bank in one bullet repayment in the month July. It is important for the community to

build up a reserve in order to become more independent from external financing and to avoid high financial cost.

In the next paragraphs we will look at the existing MFI's in Cameroon and their average loan balance. Most likely none of the MFI's will be able to cater for the above indicated amounts in credit. If working through an MFI seems interesting due to the presence of a strong MFI in the communities' geographical area and the absence of a bank in that same area, one could explore for collaboration between a bank and the MFI. This would however push the MFI into a market with credit amounts severely surpassing the 'micro'-size. We should be careful not to push MFI's into a new non-micro-sector without cooperation with a bank. Micro-lending is an expertise available to successful MFI's while Meso-lending is an expertise available to a bank. An MFI should not divert its focus into a market targeted by banks, while a bank should not divert its focus into a market targeted by MFI's. Their specific expertise can exist alongside each other and will benefit the diversity of micro en meso clients better if exercised by the experts; MFI's on the one hand and banks on the other hand.

Furthermore micro finance is much more costly than meso finance due to a large number of clients, buying a relatively small product leading to a lot of administrative work and investment of human resources for a relatively small return. In general we can say that the margin on micro finance products is significantly smaller than the margin on meso finance products. By pushing an MFI into meso finance creates the risk of the MFI changing the focus of the micro product with a relatively small financial return to the meso product with a relatively high financial return and completely abandoning the micro products. It would then become a full fledge competitor of banks and we will have been a stimulant in the decrease of access to micro finance.

Nevertheless, if within the FORM/IDH program a bank is identified which is willing to support a forest community, but which demands affiliation with a financial institute in the proximity of the community, the FORM/IDH program could look at a selection of the below described MFI's for partnering.

Below you will find a table with some general data on 8 Cameroonian MFI's. Source of the information is the MIX Market. We selected 8 of the 26 MFI's registered with the MIX Market. Selection took place based on the number of clients served (smaller MFI's, below 4.000 clients) are not included and on their existing cooperation with banks as mentioned in the previous paragraphs.

MFI	Year of information	# Active Borrowers	Gross Loan Portfolio (USD)	Average Loan Size (USD)	Operational Self Sufficiency (OSS)
CCA	2009	57.285	48.407.982	845	109,18 %
CAMCCUL	2011	55.962	156.929.023	2.804	95,61 %
CAC	2008	25.732	503.526	20	105.88 %
ACEP Cameroon	2011	9.956	27.624.135	2.775	129,74 %
Advans	2011	9.089	19.717.099	2.169	96,64 %
CFA Microfinance	2011	6.296	2.383.077	379	--
CGF	2009	5.940	842.411	142	--
MC2	2010	-	25.841.409	-	112,61 %

2.5.1. Crédit Communautaire d'Afrique (CCA)

CCA's mission is to mobilize savings and redistribute the funds in the form of support to microenterprises, especially in rural areas. The CCA is involved in the rural sector through their product Credit Solidaire (MCS) with which they finance agricultural, cattle farm, fishing and small business activities. The only collateral is the personal guarantee of the group members. Clients have benefited of: Project appraisal;

Training; Financing; Follow-up and evaluation; commercialization and distribution. Rural women have an important role and they represent 65% of the portfolio.

Please note that a small portion of CCA's operations involve savings and credit services to businesses, but that these activities could not be separated from its larger operations. As a result, its average loan and savings balances appear larger than they really are.

CCA has a large number of agencies in the entire country.

In conclusion CCA does extend larger loans to businesses which distort their average loan balance, which means that the average loan balance to businesses is larger than the indicated 845 USD. Also the CCA website does not indicate the average loan balance for businesses. The website of CCA does however indicate that it considers Forestry Operators (Exploitants Forestiers) among its clients. CCA could be an interesting MFI to collaborate with since it has agencies all over the country, since it already occasionally extends loans to businesses and since it considers Forestry Operators among its clientele.

2.5.2. Cameroon Cooperative Credit Union League (CAMCCUL)

The roots of formal MFIs in Cameroon can be traced back as far as 1963 when the first credit union was set up at Njinikom in the North West region of Cameroon thanks to the work of a catholic reverend father who encouraged Christians to form groups as a way to help each other improve their economic situation. Today it has grown to become the biggest network and player in the microfinance market of Cameroon under the umbrella institution Cameroon Cooperative Credit Union League (CAMCCUL).

In its social performance overview on the Mix Market⁸ CAMCCUL indicates that it focuses its activities mainly on women, farmer groups and vulnerable persons all in rural areas. Also CAMCCUL ranks the support to start-up enterprises as its 3rd development goal, after poverty reduction (1) and increased access to financial services and employment generation (2). Among the credit products offered by CAMCCUL we find a/o micro-credit loans for microenterprises, SME loans and loans for agriculture. No specific long term loans or forestry loans are listed. In 2011 almost 10% of the active CAMCCUL loans were loans to enterprises, 90% to individuals.

As other financial products, CAMCCUL offers a/o micro leasing. This might be interesting for community forests and the leasing of mobile sawing mills. Not so micro, but definitely useful to explore if CAMCCUL would be interested to offer this, seen it already has experience with micro leasing. As non-financial services CAMCCUL offers business development services and financial literacy education, which also might be useful for community forests.

In conclusion CAMCCUL modestly caters financial services for small & micro enterprises in rural areas, is engaged in financial literacy training and business development services. It does not yet seem to cater specifically for the forestry sector, nor any medium or large loans. Nevertheless, because of the size and reputation of the organization and due to the fact that they already have taken their first steps in enterprise financing, CAMCCUL might be an interesting MFI to explore cooperation with if opportune.

2.5.3. La Caisse Agricole du Cameroon (CAC)

Other than the data provided in the above table and some more detailed financial information on the Mix Market, not much more info is found regarding CAC. The website of CAC also does not seem to be accessible. Seen the very low average loan balance, as indicated on the Mix Market, CAC does not seem to be a promising potential partner for the FORM/IDH forestry program. This conclusion is however a conclusion based on a desk & internet study only. If CAC is active in a region where the FORM/IDH forestry program is active and access to MF is a need in the program, I would advise you to visit CAC in order to gather more information about their services.

⁸ <http://www.mixmarket.org/mfi/camccul>

2.5.4. Agence de Crédit pour l'Entreprise Privée Cameroun (ACEP Cameroon)

The objective of ACEP is formulated as follows: promotion of loans and the development of enterprises in all sectors (formal and informal) which do currently not have access to credit from banks. The ACEP credit program is the property of the Cameroon State, while the operator is ACEP Développement. A review committee - including donors, representative of the government, and other actors of the microfinance sector - is in charge validating decisions of ACEP. The Mix Market indicates that ACEP in 2011 was exclusively active in urban areas. This makes this MFI less suitable for the FORM/IDH forestry program. The Mix Market also indicates that in 2011 all ACEP's loans outstanding in the same year were almost exclusively loans to micro enterprises, but considered as retail loans.

The financial products offered by ACEP to micro enterprises entail a/o revolving funds, loans for acquisition of raw material and acquisition of machinery. ACEP does not mention all sectors serviced but specifically names a/o carpenters. The credit products of ACEP need to be repaid within a time-frame of 12 months and a deposit of 1,5% is required. (source: <http://www.acep-cameroun.org/Credit-TPE.html>)

2.5.5. Advans Cameroon

Advans Cameroun was officially created in August 2006 with Advans SA as the main shareholder alongside Société Générale de Banques au Cameroun (SGBC), and two prominent and respected Cameroonian entrepreneurs. In June 2008, Advans Cameroun completed its capital increase and welcomed IFC as a new shareholder.

Advans Cameroun is a Microfinance Institution licensed by the Cameroonian Ministry of Finance, which offers credit to urban micro, small and medium sized enterprises which are poorly served by the banking and microfinance sector.

In 2011 the entire loan portfolio of Advans consists of urban credits, making the MFI less suitable for a potential partnership within the FORM/IDH program. Nevertheless all these loans have been extended to micro and small, but urban, enterprises. The focus on urban clients makes the MFI less interesting for the FORM/IDH program.

2.5.6. Chartered Financial Assistance (CFA MF)

The roots of Chartered Financial Assistance (CFA) go back to 2002 when an NGO called the National Centre for Education and Development (NCED) was founded with one of its goals being the alleviation of poverty. In 2007, Prima Commercial Fund (PCF) was licensed as an MFI with similar goals. In 2009, CFA was established as a separate organization from NCED. In April 2011, CFA and PCF merged keeping the CFA brand.

CFA's main target market is the poor in rural areas. CFA's number one and two development goals are poverty alleviation and increased access to financial services. Thirdly employment generation and on a fourth place development of start-up enterprises. Growth of existing business is development goal 7. Even though the goals of CFA MF focus on rural areas, reports over 2011 (mix Market) indicate that only half of CFA MF loan portfolio concerns credit to rural clients, while the other half concerns credit to urban areas. Also only half of the portfolio concerns credit to enterprises while the other half concerns credit to households.

The credit products offered by CFA MF are a/o micro credit loans for enterprises, SME loans and loans for agriculture. Furthermore CFA MF offers Enterprise Skill Development Services, Business Development Services and Financial Literacy education.

The 2011 CFA MF data supplied through the MIX Market paints a picture of a moderate organization. The website of CFA MF gives a more professional, innovative and commercial impression. Due to the objectives matching the goals of the FORM/IDH community forestry program and due to the innovative

and professional impression of CFA MF own communications, I would recommend to visit CFA MF for further exploration if cooperation with an MFI seems opportune and if geographical areas coincide.

2.5.7. Cameroon Gatsby Foundation (CGF)

Cameroon Gatsby Foundation was founded by Gatsby in 1994, and is Gatsby's only ongoing initiative outside East Africa. The Foundation works in partnership with Afriland First Bank to bring traditional microfinance services to women's groups in the west of the country. Since inception the Foundation has reached 14,000 women and now has a portfolio of around USD 1.5m.

Following a review in 2010, the foundation plans to formalize its activities as a registered financial institution and focus on improving its processes in order to scale-up its lending activities in a profitable way. This will probably involve reducing its geographic reach in order to work more efficiently in a smaller number of regions.

The portfolio of CGF over 2009 shows that 95% of loans are extended to women, but a small 5% is extended to men. 85% of loans is extended in rural areas and all loans are extended to solidarity groups, but all solidarity groups are labeled as 'micro enterprises'.

Seen these restructuring developments and the 95% focus on women, CGF does not seem to be an interesting potential partner for the FORM/IDH program. However, the partnership of CGF with Afriland First Bank and the focus on rural enterprises is interesting. If collaboration with Afriland First Bank is considered, working through CGF might be an option for discussion.

2.5.8. Réseau MC²

The MC² network aims to significantly and sustainably contribute to improving living conditions for populations by facilitating access to appropriate financial services. Its main donors are Misereor, Cordaid and Afriland First Bank.

The MC² were created by the promoter of Cameroon's first private bank, Dr Paul K. Fokam, with the aim of integrating rural zones in the new development process. The MC² are village micro-banks created and managed by members of the community in the respect of social and cultural values and with the technical assistance of Afriland First Bank and ADAF. The first MC² branch opened in September 1992. Today, the network operates 56 branches in 10 provinces. The main objective of the MC² network is to provide efficient and appropriate financial services in a sustainable way.

In 2010, according to the data provided through the Mix Market, about 60% of MC² loan portfolio concerned loans for micro entrepreneurial activities and 40% for household finance. About 80% of these loans were extended to individuals while 20% were extended on the bases of solidarity groups.

2.5.9. Overview of most interesting MFI's for the FORM/IDH Timber program

The below indicated MFI's seem the most interesting MFI's to cooperate with within the FORM/IDH program. Please take into account however the reservations described above concerning pulling MICRO finance institutions into a MESO market.

The most interesting MFI's for exploration of potential collaboration:

- 1) Crédit Communautaire d'Afrique (CCA)
- 2) CAMCCUL
- 3) CFA MF
- 4) Réseau MC²
- 5) CGF

3. Overall Conclusion

FSAS would advise FORM/IDH forestry program to identify one or more forest activities which it would want to support, being private initiatives with a developmental impact or community forestry activities. After identification two important aspects need to be determined:

- is the selected activity (private or communal) (potentially) profitable on a short term?
- what is the exact need for financial services of the community or business undertaking these activities. Be specific in the different types, amounts, duration and thus form of financial need (equity investment, loan, guarantee or grant) (seasonal, long term, etc).

Based on this final selection, representing potentially profitable ventures and their specific form(s) of financial demand the FORM/IDH program should identify (through this study) the most interesting banks and or MFI's to connect to these initiatives. The choice for a particular bank should depend on geographical presence and type of financial product demanded on the one hand and offered on the other had. This will never match 100%, so negotiation will be necessary in which the FORM/IDH program can play an important role.