

COMMODITIES FINANCING

THROUGH

MARKETING COOPERATIVES

THE CASE OF

CAMEROON COOPERATIVE CREDIT UNION LEAGUE LTD

(CamCCUL Ltd)

(Network of Micro Finance Institutions Category One)

P.O Box 211 Bamenda

North West Province

Republic of Cameroon

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IN PARTNERSHIP WITH

UNCTAD/CNUCED/ONCC

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1. IDENTIFICATION OF IMPLEMENTING AGENCY

Name of Organisation and abbreviation: Cameroon Cooperative Credit Union League
Limited (CamCCUL Ltd)

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North West Province
Republic of Cameroon

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Location: Azire along Bali-Batibo Highway – Bamenda Town
North West Province
Bamenda II Sub-Division
Mankon Village

Contact Person: Mr. TIENCHOU Jonas
General Manager – CamCCUL

Legal Status of Organization: Federation of savings & loans cooperative (Credit Unions)

Registration No.: Cooperative-
COBAC

Date of creation: 1968

Membership: Total : 302,068
Women : 100,625
Men : 177,139
Group : 24,304

No of Affiliated Credit Unions: 203

Area of Jurisdiction: Republic of Cameroon

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PART ONE

PROJECT SUMMARY

Project Title: Commodities Financing through the Cooperatives.

Project location: CamCCUL Network with selected Credit Unions in the following Chapter area.

Chapter	Region	Produce
Kumba	South West Region	Cocoa & Robusta coffee
Mutengene	South West Region	Cocoa & Robusta coffee
Mamfe	South West Region	Cocoa & Robusta coffee
Bamenda	North West Region	Arabica & Robusta coffee
Kumbo	North West Region	Arabica & Robusta coffee
Nkambe	North West Region	Arabica coffee
Bafoussam	Western Region	Cocoa, Arabica & Robusta coffee
Douala	Littoral, Centre, South & Eastern Regions	Cocoa & Robusta coffee

Target Groups: Farmers and recognized marketing cooperative societies and their unions or federations.

Duration: 3 years monitoring and continuous

PROJECT OUTLINE

Background and Justification

From the 1980's the economies of many developing countries have been in a precarious state. They have witnessed a severe global recession, a collapse in international commodity prices, a worsening third world debt crises and a steady erosion of living standards. This has had much impact in the cooperative sector which comprises mostly rural farmers. A precipitous decline in commodity prices has cut rural incomes and the government has reduced or totally eradicated any subvention to cooperatives through its various structural readjustment programme.

A central component of the recommendations for structural adjustment being considered by developing countries' governments is the liberalization of agricultural marketing. This involves not only question of pricing policy, the removal of subsidies and the realignment of exchange rates, but also an increase in the role of the private sector. The belief is that greater competition in markets will lead to increased efficiency and will force a reduction in the high level of costs presently borne by government in the support of state-owned marketing organizations.

This study seeks to review the major steps necessary to revitalize the commodity marketing sector through the cooperative in Cameroon. It limits itself on financing and boosting production and productivity of the rural farmers through their cooperative, which will in turn enable them, improve on their income and as such alleviating poverty.

The project will be a tripartite agreement involving:

1. **The producer:** This would be the Farmers through their Marketing Cooperatives and their Unions.
2. **The Financer:** Cameroon Cooperative Credit Union Limited (CamCCUL) and its affiliated Credit Unions (MFI).
3. **The Technical partner:** This would involve UNCTAD/CNUCED/ONCC

Each partner will be bonded through a protocol agreement/Memorandum of Understanding on its role and responsibility in achieving the expected Vision and Mission of the project.

Commodity Financing in Cameroon - Marketing Cooperatives

Commodity financing remains the most risky operation in loan granting. It is not only the uncertainty involved in production but also the unstable sales price due to fluctuation in world market prices. The economy of many developing countries suffered such adverse effect from the early 80,s due to a drastic fall in world commodities prices. This not only affected the balance of payment but the purchasing powers of the majority of the population who mostly depended on agriculture. The economic crises equally affected the financial sector that provided financing for export operations. The devaluation of the currency (Fcfa) equally had an impact on farm input which was mostly imported from abroad. The cumulative effect was abandoning of cocoa and coffee farms since output could not cover production cost; hence a drastic drop in production and productivity.

The farmers in Cameroon used to market their produce through their Cooperatives with government subsidies on inputs. A stabilization fund existed through a government created agency; the National Produce Marketing Board (NPMB) who used to pre-finance these Cooperatives and maintained a stable purchasing price using the stabilization fund. This enabled cocoa and coffee production to double between the 1970s' and 80s'.

The economic crises of early 1990s' made the government to take very stringent measures as part of its readjustment plan in the commodity sector:

- Government drastically reduced subventions to agricultural institutions. Implying the farmers had to buy their farm inputs in the open market. The devaluation of the Franc CFA had doubled import prices
- NPMB was closed; implying the pre-financing activity to Cooperatives was no longer available thus, these cooperative had to face the financial market to pre-finance farmers produce which was the tradition.
- Removal of government control through the Department of Cooperatives and Mutuality who use to control and audit the activities of the cooperatives.
- The introduction of Private Licensed Buyers who had no experience in the commodity marketing sector but have the financial prowess.

- Liberalization of the pricing system allowing the farmers price to be determined by world market prices with no price stabilization fund.

Although government was taking these decisions as a readjustment strategy, the immediate effects weighed adversely on the farmers and their cooperatives:

- Farmers could not more buy farms input because the increased in prices due to devaluation of the Fcfa. The result was that farms were not properly maintained resulting in low production and productivity.
- Cooperatives could not more be financed by NPMB and the Banks were skeptical in financing their operations. More so, the Banks were facing crises and needed reforms. The Cooperative could not provide the necessary securities demanded by Banks for financing. This made them go out of operations since Private Buyers were willing and pre-financing farmers operation although for profit motive.
- The removal of government control through Coop/Mut, made management of the Cooperatives weak since it was replaced with private audit firms (annual audits) coupled with a weak internal control system. The resultant effect was bad management and misdirection of funds causing most of them to go bankrupt.
- The introduction of Private Licensed Buyers caused farmers to sell directly to them since they had access to financing at the detriment of their Cooperatives. More so, the Cooperative had no export experience so, the little produce that they could gather was sold locally to the licensed Buyers. The paradox here is that Licensed Buyer were selling in the commodity market and buying in the same market with the Cooperatives, so could not compete with the prices offered farmers; making the Cooperatives less competitive, Coupled with these was arrears owed their farmers/members.
- The liberalization of the pricing system caused the price to drop by more than 400% for cocoa and coffee in the 90s' making the farmers not to be able to break-even in their operations. This caused them to abandoned their farm s and diversify operation to food crop with no organized and steady market.

The objective of this project is primarily to revamp the activities of the farmers through their cooperatives. It would involve pre-financing their operations from farm maintenance, to collection, processing and marketing in the commodity markets. This could be accelerated by allowing them have access to credit.

CamCCUL and its network is a Cooperative structure involved in Micro Financing. It is owned by members who are equally farmers. It has been involved in financing farmers operations by providing farm maintenance loans in a low scale. The reason being that, farmers are committed by Licensed Buyers who provide them chemicals (at times none recommended by government) payable upon the sales of their produce. This exploitation has been decried by farmers during the Credit Union Annual General Meeting, causing the Credit Unions to stock chemicals and give to their farmers/members in the form of loans. The problem here lies on the Credit Union not having access to the stocks which is sold to Private buyers without their knowledge; leading to delinquency.

In order to expand its operations, the Credit Union should have knowledge of where and when the produce should be sold so as to follow-up reimbursement since it is a seasonal situation. Thus, with the revamping of the Marketing Cooperatives and working in consultation with CamCCUL and its Network, it would be easier and beneficial for farmers operation to be financed since the benefits of the operation will go back to them in the form of bonuses.

Most financial houses need security for loans, of which that recognized by law is registered landed property. A majority of the farmers and their Cooperatives do not have making it difficult for them to have access to formal credit.

This project intends to solve the problem of collateral through a guarantee fund and stocks. A guaranteed fund would be solicited or put in place by the Credit Unions and farmers given loans based on their stocks and farms. This credit will be closely monitored and recovery through regular means (proceeds from sale of their produce or specific duration as agreed with the member/farmer).

PART TWO

GOAL: To provide financing to farmers through their cooperatives to enable them boost production and productivity thus enabling them to improve on their income as a poverty alleviation strategy.

OBJECTIVES:

- Identification of Cooperative and signing of Memorandum of Understanding (MOU)
- Provide finance to Cooperative for the financing and marketing of stocks.
- Provide micro credits to individual farmers who are members of the Credit Unions.
- Monitor the usage and repayment of these loans.
- Encourage savings through a regular savings scheme.
- Assist the farmers to invest savings in improvement of the farms and productive activities.
- Monitoring and evaluation.

STRATEGIES

- Selection of pilot Micro Finance Institutions within the Network.
- Selection of pilot and active Marketing Cooperatives.

- Carryout financial and Managerial diagnoses of Marketing Cooperatives to enable develop a Business Plan.
- Draw up protocol or Memorandum of understating involving selected Credit Unions, selected Marketing Cooperative and Intervening/monitoring agency.
- Carryout sensitization of farmers through their Cooperatives.
- Organize strategic planning workshop with Board and Management of both Credit Unions and Marketing Cooperatives.
- Implementation – Financing through the support of a revolving fund
- Monitoring and evaluation.

1. Identification of Cooperative and signing of Memorandum of Understanding (MOU)
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Preamble

Most of the Cooperatives only exist on papers. They are not operating because either they are insolvent or they do not have the necessary funds to pre-finance farmers produce. Some operate; being financed by Licensed Buyers who are their competitors. Commodity marketing requires some basic equipment and manpower. It should be very necessary to identify the cooperatives with basic operational requirements and who are not totally bankrupt if the project needs to succeed,

Cooperatives involved in commodity marketing can be classified under the following groups:

- **Cooperatives under a Union or federation:** These are registered cooperatives affiliated to a union or federation. They do business through these chains. They include:

Coop. Societies	Coop Union	Federation	Location
Primary societies	Cooperative Unions	North West Coop. Association	North West Region
Farmers Coop. Societies	South West Farmers Coop. Union	-	South West Region
Farmers Coop. Societies	Muyuka Area Coop. Union	-	South West Region
Primary societies	Cooperative Unions	UCCOA	West Region
Etc etc			

- **Independent Cooperatives:** These are registered independent Cooperative societies involved in commodity marketing and not affiliated to any union or Federation. They sprang up after the reforms of the Cooperative laws in 1992. Some are in serious business while some are operating either through friendly or family ties. They are spread all over the commodity producing areas. They do their business independently.
- **Common Initiative Groups:** These are registered groups of smaller sizes. They were created after the reforms of the Cooperative laws of 1992. Some are effectively in business and doing export marketing. They are either single or affiliated in a union.

Strategies

- Identify existing commodity Marketing Cooperatives.
- Stratify them under independent Cooperatives, Unions and Federations.
- Identify dormant and active Cooperatives.
- Make a diagnosis of their present equipment and manpower situation. This is to identify those that can successfully do commodity marketing.
- Select those that can fit into the project and hold briefing meeting(s) with their Board of Directors and General Assembly. CamCCUL to equally allocate Credit Unions within their area of operation.
- Sign a Memorandum of Understanding with the Cooperatives, CamCCUL and Partners.

Expected Results

Output

- A detail analysis of all Cooperatives, their location and present activity is known.
- A detailed inventory and manpower analysis of the Cooperatives is known to determine capacity.
- An MOU on operational modalities is drawn up with contribution from all partners.

Outcome

- Active Cooperatives would have been identified who would contribute positively to the project.
- The project must have been accepted by the members who are the farmers.

- CamCCUL would be able to identify active Cooperatives so as to identify viable Credit Unions to handle the project.
- MOU understood accepted and signed by all the parties.

Impact

- Awareness created for the need to be self-sustainable.
- Project targeting active Cooperatives with probability of success to give the desired result.
- Farmers seeing their interest felt through their own organization.
- Each partner conversant of its role in the project by ensuring the strike implementation of the terms of the MOU.

Risk

- Cooperative might not have the trained manpower to handle commodity marketing since most have been out of operation for long.
- Political intervention to put Cooperatives that are not qualified into the project.
- Analysis report on asset quality and manpower might be bias.
- MOU not respected by partners.

Remedy

- Manpower analysis should be based not on academic qualification but on professional ethics.
- Political intervention should be desists by partners.
- Professionals or organization should be chosen to make the analysis.
- Regular evaluation to review compliance with the MOU.

2. Provide credits to Cooperative for the financing of stocks.

Preamble

Financing of stocks is very risky especially for Credit Unions, since it involves members' savings who can demand them at any time. Therefore, a careful analysis must be done before financing such operations. There must be a commitment by the farmers to market

their produce through their Cooperatives before the credit union can venture in financing them.

Licensed Buyers have infiltrated the market in such a way that it would be very difficult to break through. The farmers, by marketing their produce through these Licensed Buyers are being cheated; for the profit generated at the end goes to individual pockets, meanwhile the profit generated through their Cooperatives is shared to them in the form of end of year bonus or dividend. The farmers must be made to know this phenomenon so as to enable them concentrate on their own organization. But they have loosed confidants with their own organization as they are being owed huge sums of arrears for produced delivered some years back. The past seems not to be the problem of these cooperatives but that of the marketing channel (NPMB). Although, most of these problems have been solved, there is still a dire need for sensitization to revert the farmers to believe back on their organization. The Cooperatives brought a lot of individual development to farmers in the past by providing for their social needs and development of their farms. This is unlike the Licensed Buyers who only interact with the farmers during the produce season.

Commodity financing through the Cooperatives can be possible if the production and marketing cycle is well analyzed and defined.

Cocoa	Farmers price	Farmers demand cash payment upon collection of their produce.
	Transportation	The cooperative transport stocks from collection centers to their main store.
	Sorting & handling	This is sorting out residues and re-drying to attain the accepted moisture content.
	Bagging & Evacuation	Bagging in export bags and evacuating to Douala port for exports.
	Ports handling & charges	Fumigation, Ports inspection and treatment charges for good to be send on free on board.
	Administrative cost	Personnel charges and office administration expenses.
Coffee	Farmers price	Farmers demand cash payment upon collection of their produce.
	Transportation	The cooperative transport stocks from collection centers to their main store.
	Hulling & calibration	Done at the level of the cooperative separating the beans from the husk.
	Picking & grading	Done at the level of the cooperative separating the good beans from the bad beans and sorting out into grades.
	Bagging & Evacuation	Bagging in export bags and evacuating to Douala port for exports.
	Ports handling & charges	Fumigation, Ports inspection and treatment charges for good to be send on free on board.
	Administrative cost	Personnel charges and office administration expenses.

Strategies

- CamCCUL through its Credit Unions would provide financing in trenches following the collection and processing channel outlined above.
- The Cooperative would make a forecast of its production and through it, request for loan from the Credit Union through CamCCUL.
- The loan application would be studied and analyzed by CamCCUL Lending and Collection Agents to ensure it meets the requirement of the loan policy and that there are adequate securities to back the loans.
- The loan will be approved by the various loan granting authority of CamCCUL and the Credit Union and kept in a deposit account of the Cooperative with the Credit Union.
- Disbursements will be made according to the various level of operation following a detail costing per kilo as follows:

Crop	Activity	Financing
Cocoa	Farmers price	A farmer weighs his produce with the Cooperative. A receipt is issued which is taken to the Credit Union for payment from the deposit account.
	Transportation	Produce is transported through a Weigh bill and is accepted at the main store monitored by both the Credit Union and the Cooperative. The receipted weigh bill is brought to the Credit Union for payment.
	Sorting & handling	Operation monitored by the Cooperative and bill brought to the Credit Union for payment
	Bagging & Evacuation	Operation monitored by the Cooperative and bill brought to the Credit Union for payment
	Ports handling & charges	Operation monitored by the Cooperative and Credit Union and bill brought to the Credit Union for payment
	Administrative cost	Costing made on the tonnage handled per operation and paid to the Cooperative.
Coffee	Farmers price	A Farmer weighs his produce with the Cooperative. A receipt is issued which is taken to the Credit Union for payment from the deposit account.
	Transportation	Produce is transported through a Weigh bill and is accepted at the main store monitored by both the Credit Union and the Cooperative. The receipted weigh bill is brought to the credit union

		for payment.
	Hulling & calibration	Operation monitored by the Cooperative and bill brought to the Credit Union for payment
	Picking & grading	Operation monitored by the Cooperative and bill brought to the Credit Union for payment
	Bagging & Evacuation	Operation monitored by the Cooperative and bill brought to the Credit Union for payment
	Ports handling & charges	Operation monitored by the Cooperative and credit union and bill brought to the Credit Union for payment
	Administrative cost	Costing made on the tonnage handled per operation and paid to the Cooperative.

- **Sales operation:** All sales will be by Letter of Credits (L/Cs) to responsible trading houses in Europe who issues L/Cs with red and green clauses. As the green clause will be in operation, all deliveries to the warehouse will be paid for through CamCCUL bankers the Union Bank of Cameroon/Any Commercial Bank reducing the loan contracted by the Cooperatives. CamCCUL will only have to monitor the deliveries against the presentation of APCs'. Should the balance outstanding remains stagnant, this would indicate that something is wrong and the Cooperative should be called to explain. Extra money released from the payment of APCs' could be used for additional purchases without the Cooperative necessarily having to increase its loan with the Credit Union.

Expected Results

Output

- A detailed costing is made per kilo gram for each commodity.
- Shipment quantity is known per operation to determine financing.
- Study is carried out and analyzed to know the market potentials of each Cooperative and for the Credit Union to know the amount of financing needed to budget.

Outcome

- Farmers' price is determined at any time no matter the fluctuation in price.
- Future sales can be negotiated with foreign buyers.
- Loan is monitored to avoid mismanagement or diversification of funds.

Impact

- Transparency in operation.

- Produce is properly handled with good quality for export.
- Farmers paid on time to restore lost confidence.
- Credit Union able to recover loan through constant monitoring of all operations.

Risk

- Bad quality produce send for export which might affect sales price.
- Credit Union staff not versed with commodity marketing.
- Unable to identify reliable and competitive foreign buyers.

Remedy

- Quality produces Inspectors to be engaged at each stage of operation.
- Credit Union staff to be trained on commodity marketing.
- Partners to help identify reliable and competitive foreign buyers.

3 Provide micro credits to individual farmers who are members of the Credit Unions.

Preamble

Farmers need financing for farm maintenance and inputs. These financing is either provided for by the Credit Unions, Licensed Buyers or bought from the open market or from the informal sector. To know the effect on farmers, it is necessary to know the impact on the farmers and his produce.

Financing	Farm Maintenance	Farm input	Repayment	Remarks
Credit Union	Loan (cash) to farmers following policy	Farm input Loan in kind to farmers on policy	Upon harvesting and sales of produce.	Credit Union supply recommended chemicals which the farmers are still to be sensitized on.
Licensed Buyers	Do not provide such facility	Farm input negotiated at high interest rate bonded by the farmers produce.	Give produce on the negotiated supply price of the chemical.	The farmer at a loss since he is bound to supply to the Buyer no matter the prevailing market price.

Money lender	Cash to farmers at 100% interest rate (10 born 10).	Cash to farmers at 100% interest rate (10 born 10).	Pay cash or give produce at an agreed rate.	Makes document as having bought the farm which can be taken at any time.
Individual	Two party systems where the individual takes the farm on lease to share proceed after deducting cost.	Two party systems where the individual takes the farm on lease to share proceed after deducting cost.	Money is shared upon each sale after deducting all expenses as declared by the individual.	Farmer is bound to accept any declaration of expenses or income by the individual if not properly monitored.

From the above analysis, the Credit Union provides the best scenario for the farmers. The Credit Unions operate only with members and as such any farmer who intends to join the scheme must register with the Credit Union. On the other hand, farmers can benefit through their Cooperatives by the Cooperative contracting the loan and distributing to its members.

The problem will lie on changing the mentality of the farmers from using farm inputs not recommended by government; since the Credit Unions through CamCCUL deals with authorized farm chemical dealers. Presently CamCCUL has organized a farm input scheme with AFRIWARE on discounted rate which they supply to farmers in the form of loans.

Strategies

- CamCCUL through its Credit Unions and the Cooperatives under the project would request for farmers needs at the beginning of the produce season.
- This demand will enable CamCCUL negotiate with reliable farm input marketing firms at a price very competitive in the market.
- The Cooperatives and Credit Unions inside the project would carryout a sensitization campaign for membership drive.
- The farm input would be bought by Credit Unions through CamCCUL to be given out to farmers through their Cooperatives or Credit Unions in the form of loans.
- Farmers would be asked to come and apply for both farm maintenance and input loans.

- The loan application would be studied and analyzed by CamCCUL Lending and Collection Agents to ensure it meets the requirement of the loan policy and that there are adequate securities (Farms with a deed of pledge) to back the loans.
- A tripartite agreement would be reached with the farmer, the credit union and Cooperative supported by the Deed of pledge. This is to ensure that the farmer must sell his produce to the Cooperative.
- Loan will then be granted to farmer and sensitized by Agricultural technician on its usage and closely monitored.
- Repayment will be when the farmer sells its produce to the Cooperative and given his receipt to collect payment at the Credit Union as explained in item 2 above. The amount of the loan will be deducted and the farmer either paid the balance or saved in his account.

Expected Results

Output

- Farmers' needs are pre-determined before the season begins to ensure adequate preparation.
- Farmers who are ready for the project would be known through a list provided for through the Cooperatives and the Credit Unions.
- Proper documentation (Tripartite agreement) is carried out to ensure that the farmer sells the produce through their Cooperative and Credit Union ensure and monitor repayment.

Outcome

- Farmers' are finance at the least possible cost on farm maintenance.
- The Cooperatives are sure that the farmers will sell their produce through them.
- Credit Union funds are secured through the understanding in the agreement.
- Loan is monitored to avoid mismanagement or diversification of funds.

Impact

- Exploitation of farmers is reduced.
- Cooperatives being revamped are assured.
- Credit Union membership is increased.
- Farmers' income is improved upon since operational cost is reduced.
- Farmers have their farms treated on time to ensure greater yield.

- Credit Union able to recover loan through the agreement and as such ensure continuity of the project.
- Members are able to save to cover their future financial needs.

Risk

- Farmers might be adamant to change; insisting using banned chemicals that they are conversant with.
- Farmers might refuse selling produce to the Cooperative.
- Farmers might refuse joining as members of the Credit Union.

Remedy

- Sensitization of farmers on the recommended chemicals with demonstration by suppliers.
- Farmers tied by the tripartite agreement and the deed of pledge on the farmers' farm are a good security.
- A lot of sensitization needs to be carried out by the Credit Union for membership drive.

4. Monitor the usage and repayment of these loans.

Preamble

CamCCUI and its affiliated Credit Unions have been in the lending operation for more than 40 years and have witnessed a lot of uncertainty in its lending operations ranging from poor management of project funds, to loan purpose being diversified. This has caused unprecedented losses to the Network through provisioning. It has tried to resolve these issues through the implementation of more stringent management practices and proper monitoring and control of loans to its members.

This project would apply these principles to ensure a win- win situation to all the partners to the project. Although it is difficult to attain 100%, experience has shown that a well monitored system can produce an acceptable and manageable recovery rate.

Strategies

- Sensitize members on the loan policy and ensure the respect of this policy in loan granting.
- Employ technicians to monitor each aspect of technical operation to the project.

- Loan Collection Agents to follow up field operation and monitor repayment.
- Do regular reporting and meeting to review implementation and collection rate.
- Institute reward and sanction to Loan offices and Collection agents.

Expected Results

Output

- Loan policy drafted to meet the specific objectives of the project.
- Technician are employed and trained to ensure the successful implementation of the project.
- A loan implementation and monitoring strategy is put in place and operational.
- There is motivation for hardworking staff and sanction for lazy ones.

Outcome

- Loan policy read and understood by all to ease implementation.
- Good loans based on capacity to repay granted.
- Members' project closely monitored so that any difficulties is quickly redressed.
- Technical staffs are willing to put in their best and duty conscious.

Impact

- No bias in loan granting since the policy and loan granting procedures is applied to all.
- Delinquency greatly minimized and little provisions created because of bad and doubtful loans.
- Farmers are directed towards the successful implementation of their own project and their own development.
- Good government in management at all level of operation.

Risk

- Diversion and none respect of loan policy by Lending actors during loan granting process.
- Loan policy too harsh for farmers and as such difficulties in meeting the project target.
- Staff might be corrupted to give wrong data and statistics.

Remedy

- Loan policy explained to all members and adopted by all during an extra ordinary general meeting and copies made available to all members.
- Loan files scrutinized by CamCCUL lending service before granting to avoid non respect of policy. Sanction to defaulters.
- Sanction to staff for non respect of good governance.

5. Encourage savings through a regular savings scheme.
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Preamble

Savings is a very difficult habit within the farming communities. Every income they earn is consumed, making them live well only during harvest period and very poor and vulnerable during off season. This has caused them to be exploited during off season by money lenders who provide their financial needs at skyrocketed interest rate, pledging their next season harvest as security and mode of repayment. This makes them to remain poor and vulnerable with no development despite their hard work; unable to pay school fess for their children education or buy medication. This has caused a lot of social ills and migration to city centers in search of jobs. It has also made farming to remain in the hands of the aging population with aging farms.

This project intends to ameliorate this situation by sensitizing the farmers to save extra income earned; which can take care of their problems during off season. This could enable them extend on their farms and production thus making farming a noble profession; able to attract the young population.

Strategies

- Sensitize members on savings habits.
- A certain amount is deducted and saved during the sales and payment for their produce.
- Credit Union to provide social loan to farmers during off season.
- Credit Union through the partners could be provided a revolving fund to finance the regeneration of aging farms and opening new ones on a long term.

Expected Results

Output

- Policy on savings instituted and attractive dividend given at end of year.
- Credit Union to provide a policy on multiple loans to members.

- A revolving fund solicited from farmers and put at the disposal of CamCCUL for the Credit Unions to give long term production and farm extension loans to farmers.

Outcome

- Farmers are able to provide for their needs all year round without depending on the unscrupulous money lenders.
- A special interest rate on expansion loan will encourage farmers to expand their production and hence their income level.
- The younger generation would be attracted to agriculture hence reduction in rural exodus and juvenile delinquency.

Impact

- More income for farmers.
- Regeneration of old farms and expansion of new ones and as such increased production and productivity and hence improvement in balance of trade.
- Young persons involved in agriculture to succeed their aging parents.

Risk

- Revolving funds not available to allow long term lending to farmers to expand their production.
- Young persons may not be willing to go into agriculture.

Remedy

- Project partners should solicit financing from development organizations and interested partners..
- Young persons to be encouraged through subsidized interest loan on expansion and regeneration of aging farms.

6. Monitoring and evaluation.

Preambles

Internal control is a requirement by law for any Micro Finance Institution within the CEMAC region and specifically for Credit Unions operating under the CamCCUL network.

Internal control is not only to ensure checks and balances but also to identify weaknesses and propose remedial measures.

Through control, members have confidants and planned objectives are achieved. Thus this project is going to be monitored both internally and externally.

Strategies

Internal control

- Internal control would be at two levels
 - Control through weekly and monthly reporting from the Loan officers and Accountant of their previous activities and reviewed with Manager, CamCCUL/Project staff.
 - Routine control by CamCCUL Field staff, Supervisory Committee, Credit Committee whose reports are reviewed by the Board of Directors.

External control

- External control by the following
 - Specialized audit as requested either by Board of Directors or General meeting and executed either by External body or CamCCUL Audit Department.
 - End of year audit by recognized auditing firm.

Expected Results

Outputs

- Ensuring the success of the project.
- Meeting COBAC and financial norms
- Reliability in reporting

Outcome

- Transparency in reporting to Donors.
- Impact management strategy on commodity marketing.
- Sustainability of farmers' organization hence greater support to their operations.
- Success of the project and hence expansion in the network.

Impact

- Credibility of CamCCUL in the eyes of Donor.
- Farmers would see their organizations as a source of inspiration and hence development and expansion.
- Development of the private sector and hence development of the economy.

Risk

- The Credit Union or Cooperative might not be able to pay for the audit.
- The internal control might not be effective because of lack of professional knowledge.
- Board of Directors may not react quickly to flaws discovered by Auditors.

Remedy

- Pay yearly dues to CamCCUL who provide these services.
- Training to be offered to elected officials on internal control.
- CamCCUL to guide Boards decision.

PART THREE

PROJECT SUSTAINABILITY

The project will be sustainable in that these Credit Unions are already operating above break-even. This would be an expansion of their activities with focus on the farmers and their commodity. Though there will be some cost involved, it will be defray by the interest generated from loans.

PROJECT IMPLEMENTATION

EXPERTISE IN REALISING THE PROJECT

- **CamCCUL the Federation of the Credit Unions.** It carries out continuous audit and advisory services for Credit Unions. Thus, there would be advisory service and control mechanism, which is already in place.
- **Management of the Credit Unions.** They have experienced and qualified management with well set-up structures. They are already involved in lending activities; only that some attention would be focus on commodity financing.

FINANCIAL MANAGEMENT OF CamCCUL

No.	STRUCTURE	ACTIVITY
1	General Assembly	Approves and adopt the Budget.
2	Board of Directors	Implement the budget as adopted by the AGM through the execution of Management team.
3	Supervisory Committee	Oversees the activities of the Board and report to the AGM
4	General Manager	Approves expenses through the authorization of the BOD and control all the staff.
5	Finance Department	Carryout financial transactions through the authorization of the General Manager. Internally controlled by Finance Manager with an Accountant and Cashier who reconciles and balances their cashbook daily.
6	External Auditors	Carryout end of year audit and present their findings to the AGM

PROJECT MONITORING AND EVALUATION

Project Monitoring

No.	Periodicity	Person Responsible	Activity
1.	Daily	Accountant/Loan officer	Monitoring the activities of the farmers.
2.	Weekly	Loan Instruction Committee	Monitoring the behaviours of Cooperatives and the farmers as regards to their activities and repayment of their loan.
3.	Monthly	Manager of CU/ Loan Recovery Agents	Monitoring the loan portfolio and activities of the farmer beneficiaries.
4	Quarterly	- BOD of CU - Project Coordinator - Partners	Monitor the evolution of the project
5.	Half yearly	- CamCCUL BOD - Partners	Detail report on the evolution of the project

Main Verification and measurement indicators for planned outputs and intended outcomes

Measurement indicator	Main Verification
Output indicator	Number of farmers and Cooperatives who enter the scheme.
Outcome indicator	Number of farmers and Cooperatives who benefits from the scheme.
Impact indicator	Increased in production and productivity in the commodity sector.

Reporting Procedures.

No.	Periodicity	Person Responsible	Report
1.	Daily	Credit union Loan officer and Cooperative accountant	Summary of cash disbursement and collection.
2.	Weekly	Loan Instruction Committee	Activity report of the Cooperative, Farmers and the Credit Union.
3.	Monthly	Project Supervisor & Managers of CU and Cooperatives	Activity report for the month and loan portfolio analysis to be presented to the Project Coordinator and BOD of CU and Cooperative
4	Quarterly	- BOD of CU - Partners - Project Coordinator	Review of activities presented during Steering Committee meeting.
5.	Yearly	- External Auditors	Report presented to the General Assembly.

PART FOUR

INSTITUTIONAL ASSESSMENT

1. DESCRIPTION OF IMPLEMENTING AGENCY

1. **Name of Organisation:** Cameroon Cooperative Credit union League limited
2. **Legal Status:** Savings and Loans Cooperative
3. **Nature:** Federation of Cooperative Credit Unions (Savings & Loans Cooperatives) accredited by COBAC.

4. Strategic Planning

a) Mission statement:

The mission of the Cameroon Cooperative Credit Union League Limited is to:

- Develop a viable, secured and profitable cooperative network for the interest of the members.
- Assist Credit Unions technically in their development while mainstreaming gender equity at all levels especially with regard to, access to power, resources and employment.
- Provide Credit Unions with desired profitable, sustainable and viable services and programmes.

- Represent Credit Union interest to other Cooperatives, related institutions and government.

b) Objectives:

As stated in the League byelaws, the specific objectives of CamCCUL are as follows:

- I. Exceptionally extend its activities to parties other than its members within the micro-finance sector in Cameroon with the due approval of the banking commission.
- II. Properly and profitably manage the excess funds entrusted to it by its members by considering all safe and sound investments as may be adopted by the Board and approved by the General Assembly.
- III. Exceptionally as part of our rural development, non-members may use our services on a limited scale for a fee.
- IV. To promote the interest of its members by:
 - ▶ Promoting the establishment, organization, continued assistance and development of members;
 - ▶ supervising its members in accordance with the provisions of article 14 of the micro-finance law;
 - ▶ Conducting the business of savings and credit in the widest sense, especially by acting as a central financial unit for its members encouraging them to save, providing loans to them at moderate interest;
 - ▶ Providing them with the financial services that complement savings and loans under conditions fixed by their articles of association.
 - ▶ Securing constructive interpretation of the operational laws and issuing general rules, recommendations and directives for the purpose of serving the best interest of the members;
 - ▶ Supervising the management and administration of its members and ensuring the development of such management and administration;
 - ▶ Conducting research and development of products, programs and services, as well as assuring responsibility for public relations, advertising, provision of legal assistance to the network;
 - ▶ Arranging and operating a cooperative insurance scheme for the members while collaborating and doing business with other institutions operating in the field of insurance, lending, investment and/or financial services.

- ▶ Cooperating and collaborating with all other cooperative organizations towards the furtherance of cooperative enterprises as well as representing nationally and internationally the credit union movement in Cameroon.
- ▶ Promoting gender equity at all levels of the organization and the network by showing a total commitment to the mainstreaming of gender equity
- ▶ Define the conditions for membership, exclusion and withdrawal of affiliates,
- ▶ Define and implement the measures necessary to ensure the cohesion of the network and to guarantee its financial balance, namely the respect of prudential norms by affiliated establishments
- ▶ Exercise the disciplinary power and implement the restructuring measures defined as well as and the financial sanctions taken against the defaulting affiliates in compliance with the internal rules and regulations governing the network
- ▶ Define the accounting norms and procedures in line with the accounting plan for the micro finance activity and with the requirements of the supervisory and control authorities
- ▶ Elaborate the consolidated accounting documents and other statements defined by the regulation of the Banking Commission
- ▶ Organize the management of resource surpluses generated by affiliated establishments
- ▶ Organize the financial solidarity among the affiliated structures in case one or several affiliates become bankrupt, while ensuring the protection of the financial balance of the network.
- ▶ Create an internal control system of the network as required by the supervisory and control authorities
- ▶ Ensure the respect of the prudential norms by the affiliated establishments.

c) Plan of Action:

CamCCUL's activities are regulated by a business plan for the period 2009 to 2011 which is reviewed annually. The objectives of this business plan are:

- 1) To increase profitability through optimization of financial resources.
- 2) To take prompt action to professionalize and specialize CamCCUL human resources.
- 3) To reduce non-productive assets and delinquent loan ratio to conform to the prudential norms laid down in the new micro-finance law.
- 4) To take prompt action in the implementation of the said law in order to harmonize policy implementation and support to credit unions.
- 5) To set up a professional audit service.

In brief, this plan will enable CamCCUL consolidate and strengthen the existing network and fine tune the system to be able to adapt the new approaches to micro-finance that will better serve the needs of the members and place the movement as one of the pivots for the alleviation of poverty within the Cameroon national economy.

d) Management structure

CamCCUL has an approved organizational chart showing:

The General Assembly:

The highest organ regrouping, as at 31st December 2009, 203 credit unions with 302,068 members.

The Board of Directors:

There is an eleven-man Board of Directors elected by the General Assembly for 5-year duration renewable once.

The Management and Staff:

The Board appoints a General Manager who is responsible for the day-to-day administration of the League. The League currently has staff strength of 115 working in 5 departments with a Manager heading each department as follows:

- A Manager for the Network Operations Department
- A Manager for the Department of Finance
- A Lending Service under the Department of Finance.
- A Manager for Personnel, Project & Marketing Department
- The Chief Auditor for the Department of Audits and Control

e) Leadership

- **Election process:** The election process is as stipulated in the Bye-laws of CamCCUL. It is democratically conducted with a single majority system.
- **Financial expertise:** There is a finance department headed by a Manager which carryout and oversees the daily running of the organisation through the approval of the General Manager. There is also an Audits and Control services which oversees the activities of Management. As concerns control in the field, there is a Network department, which provide technical assistance to the Credit Union. All these staffs are all qualified Accountants, Managers, and Bankers etc.
- **Regularity of meetings:** Board meetings are held quarterly with an Executive committee to tackle issues deem to be investigated by the Board. The Supervisory Committee meets quarterly to review the activities of the Board. Unlike in the Credit Unions where meeting are held monthly. These meeting are always to review the financial statement, the budget, loans and administrative issues. Annual General Meetings are held before the third month after the end of the calendar year. Here, the financial statement and budget is presented for adoption and the report of the external auditors presented.
- **Relationship between members:** Members share a common bond and share ideas during education general meeting. They also surety each other during the

granting of loans. In fact, there is a lot of membership solidarity and awareness created during regular education and seminars.

- **Membership stability:** Following the provisions in the article of association, which spells out condition for membership, a member is free to enter and free to resign. However, the general assembly can terminate a member if he/she goes against the provision of the articles of association. Membership is always on the rise especially in the credit union with few dormant members. In the league, membership is 203 with some disaffiliation a few years back because they refused to adhere to league policies.

5. Bye-laws

The organisation has a byelaw, which enabled it to be registered as a legal entity. It was recently amended to suit COBAC and OHADA laws while still maintaining its cooperative status.

The main highlights of the byelaws are:

- Name, address, Head office, area of jurisdiction.
- Objectives of the organisation.
- Conditions for membership, rights & obligations, withdrawals and termination of membership.
- Sources and usage of funds.
- Elected organs and their functions and term of office.
- Auditing
- Merger and dissolution.
- Etc etc.

PLANNING AND PROGRAM CAPACITY

6. Organisations activities

Activities	Action step	Remarks
Planning	- Planning is through a three years plan prepared by the Board through the technical assistance Management. It is presented to the General Assembly for adoption.	These plans are tailored to meet with the finances of the Cooperative. These plans are reviewed quarterly with an annual review that is presented to the AGM for adoption.
Execution	- A Management team through the directives of the Board of Directors executes the adopted plan.	- Expenses by management are financed through income generated mostly from loan income and

		payment of dues. A system of monthly budget review is done and presented to the Board and end of year to the AGM after external audit.
Supervision	- Supervision is in two phases. The internal control system being ensured by management and the supervisory committee and the external control through end of year audit by a qualified external firm.	Internal controllers are paid staff of the Audit & Inspection department while external control is by hired external audit firms appointed by the AGM.

7. Donor sponsored project for the past two years

No.	Name of sponsor	Title of Project	Targets	Locations	Sector
1.	CIDA	Institutional and capacity building project for CamCCUL and its Network	CamCCUL and Model Credit Unions	CamCCUL head office and MCU chosen following geographical location of credit unions within the network	Modernization of credit unions following the challenges of present laws on MFI
2.	ADB through the Cameroon government	SWEDA livestock scheme	Members of the credit unions	South west Province	Livestock and animal husbandry.
3.	Etc etc				

8. Existing relationship between the organization and target groups

The target groups are farmers and their Cooperatives whom some are already members of Credit Unions affiliated to CamCCUL.

The implementing Agency is an umbrella organization providing control and advisory services to the Credit Unions that are the main target organization.

9. Possibilities of integrating cross-cutting issues

- **HIV/AIDS:** It is part of education to members since only a healthy mind can be able to fulfill such obligations as savings and loan repayment that is the principal activities of our organization. More so, we run a risk management scheme on savings and loans. The organization had been involved in local aids sensitization committee schemes.
- **Poverty alleviation:** The main objective of starting the Credit Union movement in Cameroon was to assist the poor who were being exploited by few rich merchants by giving credit to them upon pledge on the sales of their produce at very high interest rate.

This project is also in line with poverty alleviation, since the target groups would be mostly low incomer earners. Special loan scheme are made available to the target group and monitored regularly following the accord signed.

10. Monitoring and evaluation for current project.

The monitoring and evaluation plan for current project is as agreed upon during the conception and signing of the convention. With the recently CIDA sponsored capacity building project executed by DID, the system of monitoring and evaluation were as follows;

Frequency	Monitoring	Evaluation
Monthly	<ul style="list-style-type: none"> - Monitoring of the field activities of loan officers by project staff. - Monitoring of activities of project staff by project Director. - Monitoring of execution plan by a steering committee. 	<ul style="list-style-type: none"> - Certificate of successful implementation by CU - Monthly implementation report and steering committee meeting with CamCCUL
Quarterly	- Project implementation report forwarded to partners	- Review during a joint concertation meeting with project staff and CamCCUL
Half yearly	- Project implementation report to partners, Government, CamCCUL	- Reviewed during joint committee meeting involving all the partners.
End of project	- Regular monitoring by all the partners and end of project report.	- Evaluation by CU and CamCCUL;

PART FIVE

PROJECT BUDGET

Financing		Commodity Marketing	
<i>Cameroon Currency (Francs CFA)</i>			
Activity	CamCCUL & Affiliates	Activity	Marketing Cooperatives
FINANCING			
Revolving fund	1,000,000,000	Revolving fund	1,000,000,000
INCOME			
Interest from loans at 1% monthly	120,000,000	Gross margin from sales	66,666,600
Total Income	120,000,000	Total income	80,000,000
EXPENSES		EXPENSES	
Loan granting & monitoring expenses	12,000,000	Produce handling expenses	12,750,000
Overheads	21,000,000	Transportation	3,250,000
Personnel expenses	36,000,000	Port handling charges	10,000,000
Interest on savings	24,000,000	Overheads	7,250,000
Depreciation & provisions	15,000,000	Personnel expenses	18,000,000
		Interest expenses	15,000,000
		Depreciation & provisions	5,000,000
		Bonuses to farmers	5,000,000
Total Expenses	108,000,000	Total Expenses	76,250,000
Net Profit	12,000,000	Net Profit	3,750,000

Note: This budget estimate is just a sample of how the financing will look like. Detailed estimate will be made when the project kicks off.

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