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**CAMEROON CREDIT UNION  
DEVELOPMENT PROJECT  
— PHASE II  
(631-0057)**

**AID Final Evaluation**

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**June 5, 1992**

## PREFACE

USAID/Cameroon has been involved in savings and credit, particularly for rural and small enterprise activities, since at least 1975 when it initiated a five-year Directed Agricultural Credit Project (DAC). In 1981, AID continued assistance to this sector and to the Cameroon Cooperative Credit Union League (CamCCUL) with the Small Farmer Production Credit Project (SFPC) implemented through a grant to the Credit Union National Association (CUNA). The project was extended for 5 years in 1986 as the Cameroon Credit Union Development Project-Phase II. The World Council of Credit Unions (WOCCU) was the implementing agent.

A number of studies and assessments have been carried out concerning the present project: "Impact Evaluation of the Cameroon Credit Union Development Project" by DAI, IDA, and RTI in February 1989; a Phase II Progress Report of February 1991; and the December 1991 internal study by WOCCU and the Canadian Co-Operative Association (CCA) "The Need for Economic Empowerment: An Assessment of the Cameroon Credit Union Development Project." These earlier studies were quite detailed and provided important material for the present evaluation. The present evaluation is not the "project evaluation involving personnel of all major project participants which will be undertaken in year 5 of the project" called for in the January 20, 1987 Project Agreement with the Government of Cameroon (GRC). This is the final AID project evaluation called for in the AID Evaluation Handbook.

In the months preceding the present evaluation, there was discussion among AID/-Cameroon and WOCCU as to whether AID intended to provide additional funding for CamCCUL. The Mission's June 1990 Annual Budget Submission for FY 1992 listed a Credit Union III as Project 631-0075. However, in a letter to WOCCU/Madison dated March 5, 1992, USAID reminded WOCCU that the AID grant would expire on 8/31/92. In a follow up letter to WOCCU of April 24, 1992, USAID reminded WOCCU that "USAID support to the CAMCCUL credit movement is scheduled to end in the near future" and that "priority should be given to ensuring a smooth wrap up of USAID financed WOCCU support to CAMCCUL."

Initial interviews and data collection at CamCCUL headquarters in Bamenda coincided with all parties to the project considering the implications of a termination of USAID assistance. This included the evaluation team, which considered the most beneficial way to present its findings and recommendations. For CamCCUL, the team focused on specific recommendations for short- and medium-term action by CAMCCUL. For AID and WOCCU the team concentrated on project accomplishments and lessons learned. Because only the Executive Summary of this report is being translated into French for GRC review, the Summary is in somewhat more detail than might be expected.

## ACKNOWLEDGEMENTS

This evaluation of the Cameroon Cooperative Credit Union League (CAMCCUL) and AID's Credit Union Development Project Phase II was undertaken under a contract with Development Alternatives (DAI) and the Institute for Development Anthropology (IDA). DAI and IDA appreciate the opportunity to evaluate this project, which represents the completion of over ten years of AID effort with cooperative credit in Cameroon.

The team acknowledges the support of the World Council of Cooperative Unions (WOCCU), the principal external technical assistance contractor, who for the past decade under funding provided by USAID has been providing technical assistance to the credit union movement in Cameroon. Even before the evaluation team arrived in Cameroon, WOCCU headquarters in Madison, Wisconsin, helped brief the team by providing earlier studies on the Cameroon project. In Cameroon, Roland Thurlow, the WOCCU Chief of Party, opened his files and spent hours briefing the team with exquisite detail on what for USAID may be a small project, but which for Cameroon is an important part of its financial sector, particularly in the rural area. The other WOCCU team members, Bill Mitchell, Training Officer, and Kevin Murdock, Productive Credit Specialist, were equally open and prepared data tables that enabled the evaluation team to devote its limited time to assessment and analysis.

The USAID Mission in Cameroon expressed its interest in this evaluation by providing all the necessary contacts, reports, logistic support, and communication network that enabled the team to maximize its time on the substance of the evaluation. We note in particular, Marcel Ngue, AID's Cameroonian Project Officer, who has managed this project for the past ten years. Mr. Ngue traveled with the team for a portion of its time as a resource person. He gave the team insights that enabled the analysis to be completed quickly and without misconception.

This evaluation report is dedicated to the men and women of CamCCUL and the staff, volunteers, and members of the affiliated credit unions. These are people who believe in the concept of saving and understand how it can bring security as well as growth to their lives, while also helping the larger Cameroonian economy.

Most importantly, the evaluation congratulates Mr. Shey Denis Maimo on his recent appointment as manager of CamCCUL. Mr. Maimo worked for CamCCUL for 14 years. His assignment coincides with the termination of USAID technical assistance to CAMCCUL. The team has confidence that Mr. Maimo will draw on his own strengths and the skills of his staff to continue the successful growth of the league and the credit union movement.

## LIST OF ACRONYMS AND ABBREVIATIONS

ACCOSCA	African Confederation of Cooperative Savings and Credit Associations
AGM	Annual General Meeting
AID	U.S. Agency for International Development
ARDO	Agriculture and Rural Development Office (Officer)
BCCI/C	Bank of Credit and Commerce International/Cameroon
BIAO	Banque International pour l'Afrique Occidentale
BOD	Board of Directors - league or credit union
CamBank	Cameroon Development Bank
CamCCUL	Cameroon Co-Operative Credit Union League, Ltd.
CCA	Canadian Co-Operative Association
CDC	Cameroon Development Corporation
CIDA	Canadian International Development Agency
CLF	CAMCCUL's Central Liquidity Facility
COOP/MUT	Division of Cooperation & Mutuality, Minagri
CU	Credit Union
CUNY	Credit Union National Association of the U.S.A.
DAI	Development Alternatives Inc.
EDP	Electronic Data Processing
ET	Education and Training
FCFA	Cameroon's Currency, the CFA Franc
FONADER	National Agricultural Development Fund
F/Ws	League field workers
GRC	Government of the Republic of Cameroon
IDA	Institute for Development Anthropology
IFAD	International Fund for Agricultural Development
Logframe	The Logical Framework for an AID Project
MIS	Management Information System
MOS	Minimum Operating Standards
PACD	Project Activity Completion Date
PC	Productive Credit Program
PP	AID Project Paper
RTI	Research Triangle Institute
SAP	Structural Adjustment Program
SCB	Société Camerounaise des Banques

SFPC	Small Farmer Production Credit
UCPY	Union des Caisses Populaires de Yaounde
USAID	AID Mission to Cameroon
WID	Women in Development
WOCCU	World Council of Credit Unions, Inc.

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## SUMMARY PROJECT DATA SHEET

1. Country: Cameroon
2. Project Title: Credit Union Development Phase II
3. Project Number: 631-0057  
Operational Program Grant: G-OP-6015-00
4. Project Dates and Amounts:
 

7/25/86	Amount Authorized:	\$3,200,000
8/16/86	Original Obligation to CUNA:	566,000
10/27/86	Amendment 1 made technical changes to original	
1/20/87	Project Agreement Between GRC and WOCCU	
2/ 2/87	Amendment 2 brought total obligation to \$1,790,000	
4/14/88	Amendment 3 brought total obligation to \$3,156,743	
3/28/89	Amendment 4 at no cost extended PACD to 8/31/91	
8/15/91	Amendment 5 at no cost extended PACD to 8/31/92	
11/6/91	Amendment 6 corrected applicable overhead rates	
5. Other External Donors: CIDA through CCA \$ 679,998  
ACCOSCA 187,000
6. Modes of Implementation: Dutch/US PCVs in kind  
Operational Program Grant: Credit Union National Association  
Implementing Agent: World Council of Credit Unions
7. Project Designers:  
  
WOCCU, ACCOSCA and CCA in proposal of April 14, 1986
8. Responsible USAID/Cameroon Officials:  
  
John McMahon Agriculture and Rural Development Officer  
Marcell Ngue Project Officer, ARDO
9. Previous Studies and Assessments:  
  
African Confederation of Cooperative Savings and Credit Associations, *Report of the Institutional Analysis of the Cameroon Cooperative*, Credit Union League Ltd, June, 1990.

*A.I.D. Microenterprise Stock-Taking: Cameroon Field Assessment*, USAID, PPC/CDIE, March, 1989.

*Impact Evaluation of African Rural Credit Projects: Synthesis Report*, DAI/IDA, February, 1989.

## EXECUTIVE SUMMARY

### A. Purpose of this Evaluation

The purpose of this USAID end-of-project evaluation, as stated in the evaluation team's scope of work, is to assess:

- Implementation progress, effectiveness, and efficiency of USAID Project 631-0057, Credit Union Development Phase II;
- The impact of project progress to date, in terms of effects generated, particularly at the people level;
- The continuing relevance of such a project in Cameroon's rapidly changing socioeconomic-political environment; and
- The self-sufficiency and sustainability of the credit union movement in Cameroon.

USAID/Yaounde also asked the evaluation team to consider options for a future role for AID in credit activities, particularly in the rural sector.

### B. Goal, Purpose, and Objectives of the Project

#### 1. Project Goal

To increase the income and living standards of an expanded number of Cameroonian credit union members, through growth in credit union membership, savings, and loan volume within rural and urban areas.

#### 2. Project Purpose

- Strengthen Cameroon's national and regional credit union structure so that it continues to provide needed services to affiliated credit unions.
- Expand the credit union network served by CamCCUL, both within its present area of operation and in areas not yet affected.
- Modernize services rendered to credit union members through its affiliates.

### 3. Project Objectives

This project is based on CamCCUL's Second Five-Year plan for the period 1985-1989. Project objectives are to:

- Expand and improve the training function of CamCCUL;
- Expand and improve the promotion and membership education function of CamCCUL;
- Enhance the operation of CamCCUL's Central Liquidity Fund;
- Expand the savings and credit cooperative idea into new areas of Cameroon—particularly the Francophone regions;
- Promote and expand the use of productive credit, particularly for agriculture and the private enterprise sector;
- Improve the quality of supervision including monitoring, reporting, and evaluating;
- Improve the CamCCUL planning function;
- Expand the Risk Management Program;
- Decentralize CamCCUL'S operations to provide more concentration and control;
- Provide shared management services.

### C. Summary of General Findings

#### 1. There has been a Qualitative Change in the CamCCUL Network

The original project paper assumptions were adequate and appropriate at the time the project was designed; the CamCCUL of today is dramatically different. CamCCUL has grown from 65 groups with 4,000 members and \$60,000 in savings in 1969 to 255 credit unions, with 75,600 members and the equivalent of \$32,000,000 in savings two decades later. This is more than a quantitative change; it represents a qualitative leap requiring reconsideration and refinement of CamCCUL's basic mandates. Profound policy changes may have to be considered, such as geographic expansion and more productive use of assets in place of historic tenets of safety and accumulation of savings. Greater interaction with external commercial and financial institutions may be necessary. This qualitative change in CamCCUL will require internal management changes such as the development of a larger number of professional staff rather than dependence on volunteers. Most importantly, CamCCUL must recognize this qualitative

change, and CamCCUL management must make decisions on how it wants to respond to its changed situation.

## 2. Achievement of End-of-Project Status

The USAID project has generally achieved its end-of-project goal of increasing the technical and institutional capabilities of CamCCUL and member credit unions as well as increasing awareness of the credit union movement among both members and nonmembers. This has resulted in:

- A strengthened CamCCUL national and regional credit union structure;
- An expanded credit union network served by CamCCUL;
- Better, more sophisticated, financial services being provided by CamCCUL to its membership.

## 3. Impact of the Physical Environment on the Project

CamCCUL operates within the physical, political, social, and economic environment in Cameroon. Recent economic recession and political turmoil has had a discernable effect on CamCCUL so that achievement of quantitative project objectives are somewhat below target, but CamCCUL has demonstrated remarkable institutional resilience and has survived as a financial institution during this turmoil. This ability to withstand negative environmental factors is derived from CamCCUL's excellent management and the high degree of confidence placed in CamCCUL by individual credit union members. CamCCUL's continued ability to function in this difficult environment and to maintain its members' confidence must be taken into account in the findings and recommendations in this evaluation report.

## 4. Achievement of People-Level Impact Goal

CamCCUL management and the technical assistance contractor have concentrated their efforts, up to now, on the institutional development of CamCCUL and member credit unions. In this they have been largely successful. Thus the people-level impact goal has been achieved by providing direct, universally accessible, and improved financial services to over 70,000 people, 1/3 of whom are women. Without CamCCUL these services would be otherwise unavailable. Additional analysis is needed to quantify and understand more specifically the people-level impact, both as an aid to management and as the basis for the design of future savings and credit projects.

## 5. CamCCUL Sustainability

The evaluation team believes that after 14 years of USAID assistance CamCCUL has achieved a high degree of maturity and financial and operational self-sufficiency. The league and member credit unions must undertake to resolve several key issues, particularly those that relate to financial management, if it wishes to continue and grow as an independent, private sector, Cameroonian institution. It is unclear whether this can be achieved without some level of continued donor support. Many in CamCCUL have expressed the concern that they are not fully prepared, in terms of individual self-confidence, for the withdrawal of USAID support when the project terminates in August 1992. In order to help CamCCUL address some of the pressing issues confronting it, USAID should consider providing limited short-term technical assistance.

### D. Summary of Detailed Findings

#### 1. Implementation Progress, Effectiveness and Efficiency

- a. Important growth of the credit union movement in Cameroon has taken place as measured by several output targets:

	Actual 12/86	End of Project Target	Actual 4/92	% EOPS
Membership	60,512	95,000	75,657	80%
Trained CU Staff		2,850	2,186	77%
Trained Bookkeepers/Mgrs		1,010	632	63%
CUs in Risk Mgmt Program		125	117	94%
Loans Insured (MM CFA)		14,400	9,100	63%

- b. Equally important targets have experienced shortfalls over the life of the project:

	Actual 12/86	Project Target	Actual 4/92	% EOPS
% # Delinquent Loans		%	26%	325%
Regional offices		6	3	50%
Savings (MM CFA)	7,834	21,000	10,900	52%
Loans (MM CFA)	5,712	14,000	6,400	46%
Membership Education		14,200	Unknown	

- c. The growing number and amount of loan delinquencies could, if unchecked, seriously threaten CamCCUL's continued existence. The number of loan delinquencies is three times as high as the PACD target.

Delinquent loan amounts have grown in absolute and percentage terms throughout the life of the project. While the worsening economic condition in Cameroon is certain to have exerted a negative effect on loan delinquencies, the economic situation can not be accepted as an excuse for lack of more aggressive management action to reduce loan delinquencies.

- d. There is some uncertainty within CamCCUL as to the nature and role of field workers and, therefore, levels of effort to be devoted to inspection and audit as compared to supervision and training. As a result, credit unions themselves are uncertain about CamCCUL's supervision services.
  - e. Participation in the Risk Management Program has been good, in providing loan repayment and matching of savings in the event of the death or disability of the insured member. However, all claims are paid out of premiums received, without the benefit of reinsurance. This represents a significant financial and legal contingent liability for CamCCUL, which could bankrupt the league.
  - f. Work on the third five-year plan has been started but not finalized because of a variety of factors, including political uncertainty in Cameroon and delay in the USAID evaluation.
  - g. Planned expansion into Francophone provinces has been slower than anticipated, partly because of the local political and economic situation, and partly of the need to master management issues in existing areas.
  - h. Training and promotional activities have reached satisfactory output levels. Determining the quality and effect of these activities continues to pose a problem for the league as it has for the evaluation team.
2. Economic, Financial, and People-level Benefits.
- a. Economic and financial benefits
    - The network of credit unions has mobilized savings in geographic areas in which there was formerly little or no accumulation. This financial intermediation has facilitated on-lending of this capital to further rural development objectives. These rural savings have also supported liquidity needs of the formal financial sector.
    - Universal access to savings and credit, and fungibility in the use of funds, have enabled women and men to engage in productive business, trade, and agriculture,

even though credit union records indicate that most loans are for consumption purposes. These 100% locally generated funds have had a strong economic multiplier effect by increasing available goods and services and by creating employment opportunities in rural areas.

b. People-level impact

- The access to CamCCUL member credit unions provides a safe and reliable means of accumulating wealth in a liquid form. It is also easier to resist social pressures to "loan" money to family and friends.
- Access to savings and credit yields tangible, long-term quality of life benefits. School fees are often paid from these funds, which enables rural families to meet education goals. Health care expenses are a common use of these funds, as are contributions to sociocultural events. The funds enable people to afford better housing, which in turn stimulates other economic benefits (employment, sales of construction materials, etc.).

3. Continued relevance of the Project to USAID's Country Development Strategy

USAID/Cameroon's Country Development Strategy Statement indicates, inter alia, that a key Mission objective is to improve the performance of a market oriented private sector. CamCCUL contributes to USAID's strategy. It:

- Is a prime example of a local, indigenous, grassroots private sector organization;
- Operates and is managed on the basis of democratic, membership governance, transparency and popular accountability, including universal access to services;
- Encourages and has achieved multi-level participation of women in board, staff and membership activities;
- Provides rural financial intermediation services, 100% membership financed without the need or demand for financial support from the central government.

4. Sustainability of the Credit Union League

- a. Long-term financial sustainability is seriously threatened by massive loan delinquency amounts. These represent several times Bad Debt Reserves and could wipe out significant portions of total capital. Although a portion of delinquencies are backed by collateral and member and co-maker savings, many older loans are not. Also, credit unions have seldom, if ever, attempted to take

members to court to collect delinquent loans, to seize collateral, or request payment from co-makers.

- b. Poor nonloan asset management has resulted at times in members' savings and deposits being held in blocked bank accounts. These amounts have been recovered, but there remains a lack of safeguards and well-defined investment policies and practices, which has also resulted in lower interest income earnings.
- c. While uniform credit policies exist, there is no systematic way of monitoring compliance. Loan collection practices and uniform loan write-off policies need to be developed.
- d. A serious concern for CamCCUL will be the withdrawal of institutional funding support provided by the project. Recurrent salary support, funds for training and education, vehicles, and vehicle maintenance have been particularly important contributions to CamCCUL's activities, and it is unclear how this funding gap will be met. CamCCUL must develop a plan to cope with this future budgetary shortfall.

#### **E. Recommendations**

This report presents three categories of recommendations:

- Recommendations for implementation by CAMCCUL without regard to what outside assistance might be provided;
- Recommendations for selected assistance to CamCCUL by external donors;
- Potential CamCCUL/USAID partnership in rural development.

##### **1. Recommendations for Implementation by CAMCCUL**

###### **a. Develop and implement a third five-year plan**

CamCCUL should make the development of its third five-year plan a priority activity. Topics to be addressed in the third five-year plan should include:

- Verify and redefine CamCCUL's strategic objectives and mandate. CamCCUL must decide whether it will continue primarily as a reactive organization concerned with savings mobilization and security, or whether it will recognize its potential for being a more proactive, productive, major financial institution.

Recommendations below assume the latter approach, *but CamCCUL must make the basic decision.*

- Membership growth and geographic expansion. The CamCCUL mandate assumes that it is a nationwide organization that will eventually grow into other areas, including Francophone provinces. Most recommendations below assume that CamCCUL wishes to expand, *but CamCCUL must make the basic decision.* CamCCUL should consider the potential benefits as well as the problems and costs of such expansion. If expansion into the francophone areas is to succeed CamCCUL will have to change its image as being equally an anglo- and francophone organization, and the French language will have to become more important to league activities and used more at the Annual General Meeting. On the other hand, there is some tendency among senior board members to adopt the French top-down management attitude. Attention must be paid to these tendencies since as the league expands into Francophone areas the "top-down" attitude could well derail the movement.
- Assuming that CamCCUL modifies its approach to grow into a major financial institution and confirms its intention to expand into new geographic areas, CamCCUL management must include in its next five-year plan actions to:
  - Improve financial management and control;
  - Focus on asset management issues;
  - Develop a manpower and internal human resource development plan and a plan to improve internal league management;
  - Improve the risk management program.
- b. Consider the 1991 assessment by WOCCU and CCA
  - Formally consider the 1991 assessment and recommendations made by WOCCU and CCA as part of the third five-year plan and develop an action plan to implement recommendations already approved by the league board, e.g.:
  - increase interest rates on deposits from 1% to 1 1/2%/month; and
  - create a new Chapter in West province.
- c. Improve and enhance financial management
  - Contract for an outside financial audit of CamCCUL. A firm of chartered accountants, possibly a Cameroonian firm with an international reputation, should

undertake a financial audit of CamCCUL. This would serve as the basis to establish a modern computer-based financial information and control system;

- Develop a computerized financial management and control system. A project of short-term technical assistance should be developed to establish a computer-based financial information and control system. This would enable CamCCUL to monitor and manage its nonloan asset portfolio more effectively;
- Establish a league-level loan collection unit with a mandate from the member unions and authority from the relevant government agencies. This unit would be empowered to investigate and pursue loan collection activities and seek legal actions against offending individuals;
- Develop, distribute, and enforce a consistent loan write-off policy. The current policy of "suggesting" that credit unions reserve 25% of unsecured delinquent loan amounts over the next four years is a start but will not address the issue of the massive bad debt overhang;
- Ensure uniform compliance with increased interest rates on loan assets. This is absolutely necessary to increase profits which will fund future league and credit union activities;
- Negotiate at the league level with employers who are responsible for generating the largest payroll receivable assets. It may be advantageous to replace these receivables with consolidated loans to the employers secured by collateral.
- CamCCUL should investigate making a preferred equity participation in the two new Cameroonian institutions (C.C.E.I. and Amity Bank) specializing in lending to and management of small- and medium-sized enterprises. This would serve social and economic objectives in promoting the use of assets in a productive manner.

d. Transform the Productive Credit Program into a broader Credit Advisory

Service.

End the Productive Credit program in its present form and use the experience gained to set up a broader-based Credit Advisory Service. The possibility of cooperating with the agricultural extension services and other donors should be studied. Contacts should be made with the Centre de Création des Entreprises de Yaoundé (CCEY), a Canadian financed, small enterprise development agency.

e. Emphasis training and promotion

Continue to emphasize training and promotion with attention to quality as much as to quantity of activity.

- Organize studies to determine the need for savings and uses of credit among new and potential members as a basis for promotion programs and to generate feedback on results of training and promotion efforts;
- Determine the knowledge absorption capacity of the various training target groups and adjust training methodologies and materials if necessary. Assess the need to revise bookkeeper training based on existing skill and knowledge levels;
- Clarify responsibility for training and promotion between the league and member credit unions;
- Develop, translate and distribute additional training and promotional material in French to assist in the geographic expansion into Franco- phone regions.
- Continue effective promotional activities, such as radio broadcasts. Improve image of credit unions by addressing loan delinquency problems.
- A serious attempt should be made to expand into the Douala and Yaounde regions. This is vital for the financial health of CamCCUL.

f. The Central Liquidity Facility needs professional attention

- Define an investment policy. A well-defined investment policy should be established. This would include: guidelines for analyzing banks and other financial institutions with whom CamCCUL has interbank placings; establishment of a nominal risk rating system to rate these banks; limits by amount, tenor and minimum return on placings based on risk ratings; and explicit policies and procedures for the analysis and monitoring of loans to other cooperatives.
- Professional management of liquid assets. CamCCUL should explore establishing a relationship with a multinational financial institution to manage its liquid nonloan assets in external financial markets. The multinational institution would present different investment strategies with explicit risk/return objectives. This institution would undertake best efforts to meet return objectives.
- Use of the Central Bank Deposit and Rediscount Facility. As an interim step prior to making offshore investments CamCCUL should lobby the government for the use of rediscount and interbank placing facilities with the Central Bank

(BEAC). This would enable CamCCUL to take advantage of the relative safety and higher yield offered by these facilities.

g. Improve the internal management of CamCCUL particularly the supervision of field workers

An operations and management specialist should be contracted to review CamCCUL's internal management focusing on the role and performance of the field worker. Additional field workers will probably have to be recruited to give greater attention to promotion, to reviving dormant credit unions in rural areas, and to cover the range of normal services demanded of them. A number of technicians especially trained in the field of financial management should be recruited. The management specialist should also focus on:

- CamCCUL's structure for internal supervision;
- Number and professional/technical skills of field workers;
  - Differing roles of field workers, such as for:
    - . Training and guidance of credit unions
    - . Monitoring, inspection and audit
    - . Education, extension and promotion.
- Continued support for decentralization. In the short run the league will have budgetary constraints which may hinder its ability to hire additional supervisors or establish additional regional offices. Nevertheless, decentralization must be part of the new manager's plan of action.

h. Improve the risk management program

- Actuarial study and reinsurance. An actuarial study should be undertaken to determine the adequacy of the premium rate charged participants. Based upon this data reinsurance should be obtained from a reputable reinsurance specialist.
- Establish a separate legal entity for the RMP. A separate legal entity should be created to administer all aspects of the RMP. This would mitigate the financial and legal liabilities for CamCCUL that exist under the current system.

i. Define and inventory active and dormant credit unions

CamCCUL management should provide the necessary staff resources to revive those credit unions which have the potential to benefit from special

attention. It should develop an action plane to liquidate those credit unions that can not be revived.

j. Recommendations for Future Studies

Better information is necessary for CamCCUL to manage its program, particularly information on present and potential members. CamCCUL needs baseline data about rural economic life, such as individual household economics, savings and uses of credit. Studies should be carried out on family-level impact of loans made by the credit union, particularly loans for developmental and productive purposes. CamCCUL should determine the need for credit by small enterprises, agroindustries, nontraditional agriculture, for which credit unions might mobilize capital.

k. Seek donor technical assistance

CamCCUL management should seek technical assistance and selected institutional support from external donors for specific improvement efforts. CamCCUL should not seek budgetary assistance that dilutes the ownership and self regulatory characteristic of the credit network.

2. Recommendations for Selected Assistance to CamCCUL by External Donors

a. Short-term consultant on strategic planning methodology to help CamCCUL develop its third five-year plan

The present project was executed concurrently with CamCCUL's second five-year plan which covered the period 1985-1989. Work commenced on the development of a third five-year plan but was disrupted by such diverse factors as the Ghost Town political strife in Cameroon, the Gulf War, liquidity problems in the banking sector and the appointment of a new league manager. CamCCUL would benefit from a short-term consultant in planning methodology to assist CamCCUL develop its third five-year plan.

b. Computerization of League Financial Management

The provision and training in the use of personal computers has been a major accomplishment of the Phase II project. League financial management, however, is still carried out manually, although some data is maintained and reports are generated through use of computer. Systematic asset and revenue management is currently not in place. External technical assistance would be useful for:

- The completion of a financial audit to be carried out by a chartered accountancy firm such as Deloitte & Touche, Coopers & Lybrand, or an internationally respected local firm who would carry out not only a financial audit of CamCCUL records but a management diagnostic as well.
- The findings of the audit report would then be used to guide technical assistance to assist CamCCUL in the development of a computer-based financial management information and control system that would need to be tested in parallel with the existing system until it proved sound.

c. Short term-technical assistance

- Develop a nonloan asset management strategy and program.
- Establish a loan collection unit.
- Carry out an internal management study on the supervision, duties and authorities of field workers.

d. Ramifications of Changes in the Cooperative Law and Regulations

If donors continue to support liberalization of the cooperative law they also must consider the additional financial and workload problems they are bringing to the cooperative societies by urging the passage of the new cooperative law. Donors should be prepared to provide some additional support needed to carry out the intent of the new law. For example:

- More frequent changes of board members will put additional pressure on cooperatives for training activities for which there is already a shortage of funds;
- Donors must take into account the additional salary costs to the cooperatives of applying the more costly labor law. Smaller cooperatives such as rural credit unions may not have the resources to shift from a voluntary to a fully paid operation;
- Under the new cooperative law, audit will become the responsibility of the league. To carry out a professional outside audit will substantially add to CamCCUL's operating costs.
- Reregistration will oblige cooperatives to duplicate a time consuming effort. A possible alternative would be to require all cooperatives to indicate whether or not they wish to maintain their current status. Cooperatives not requesting reregistration within a specific period of time would be automatically decertified.

- In an effort to expand the growth of cooperative to improve their financial position, cooperatives will need help for training, education and promotion programs. Start up funding for these expensive programs would be helpful.

### 3. Potential CamCCUL/USAID Partnership in Rural Development

The evaluation team suggests that USAID/Yaounde consider supporting the following CamCCUL related activities to help attain its own country development objectives.

#### a. Financial services for rural areas

CamCCUL intends to expand into populated urban areas which would enable it to increase its membership growth and its savings and loan activities. Such expansion would help assure CamCCUL's long-term financial sustainability. USAID should consider institutional support to CamCCUL to help it expand into needy but less profitable rural areas (i.e., less profitable for CamCCUL). The provision of financial services to rural areas would increase resources available for agricultural and small enterprise uses in rural areas and would support USAID's country development strategy.

#### b. Productive credit lending

With the encouragement of USAID, CamCCUL could increase support for productive credit uses through liberalization of lending policies and practices at both the league and credit union level. This recommendation assumes that CamCCUL, in its third five-year plan, addresses and redefines its prime objectives and mandate with respect to:

- Savings mobilization and safety;
- Membership growth and geographic expansion;
- Extension of loans for productive activities.

#### c. Small enterprise development

Perhaps with the support of a USAID loan guarantee facility CamCCUL could increase lending to finance member micro-enterprises with a proven track record and experience in carrying out demonstrably profitable projects, or for production and marketing of experimental or nontraditional cash crops (e.g., potatoes, vegetables, and support for small enterprises), agroprocessing associated with nontraditional crops. This could also take the form of direct on-lending by

CamCCUL or investment in emerging financial institutions that assist small and micro-enterprises.

d. Policy reform of the Cooperative law

As part of ongoing policy reform initiatives, USAID should continue to advocate liberalization of the cooperative law and associated governmental administrative structures that enable the private sector to grow and be profitable.

e. Policy reform of legal/judiciary system

As part of a democracy/governance initiative USAID should advocate reform of those aspects of the legal and judiciary system that support contracts, security interests in collateral, and equal treatment under law.

G. Lessons Learned

1. USAID Management of Different Procurement Mechanisms

USAID staff must understand the implications for project management of different types of procurement arrangements. This project was managed under a Grant Agreement that mandates a lesser degree of management control by USAID than a contract. The close supervision inherent in other contractual arrangements is deemphasized under a Grant Agreement. It is important for USAID managers and the recipient of the AID grant to agree upon monitoring, reporting, and supervisory relationship matters at the commencement of the project. Misunderstandings on role and responsibility can have a negative impact on achieving project purposes.

2. USAID Has a Supportive Role Beyond the Project Itself

The social and institutional fabric of Cameroon, notably familial and ethnic solidarity, has positive and negative influences. A positive aspect is the economic support network that mitigates occasional monetary problems. A negative aspect of this pattern of relationships is a "rent seeking" attitude and behavior toward those outside the inner grouping. This phenomenon is manifest at the government level where monies appropriated from broader societal uses are diverted to personal ones. These "rent-seeking" patterns of behavior have necessitated the intervention of USAID on behalf of CamCCUL. If CamCCUL is to survive, USAID may have to continue its role as "benefactor." USAID may have such a supportive role with regard to other projects in its portfolio.

## I. INTRODUCTION

### A. The Purpose of the Evaluation

The objective of this USAID end-of-project evaluation as stated in the contract scope of work is to assess:

- The progress of the project's implementation, its effectiveness and efficiency;
- The impact of project progress to date in terms of the positive and negative effects generated, particularly at the people level;
- The continuing relevance of the project in Cameroon's rapidly changing socioeconomic-political environment; and
- The self-sufficiency of the credit union movement in Cameroon.

In addition, USAID/Yaounde asked the evaluation team for suggestions on future program development in rural financial intermediation.

### B. Description of the Project as Designed

Phase II of USAID's Credit Union Development Project was designed by the World Council of Credit Unions, the Canadian Co-operative Association, and the Cameroon Cooperative Credit League.

#### 1. Project goal

The goal of the original project, carried over to Phase II, is to increase the income and living standards of an expanding number of Cameroonian credit union members, through growth in credit union membership, savings, and loan volume within rural and urban areas.

#### 2. Project purpose

Phase II has three principal purposes:

- To strengthen Cameroon's national and regional credit union structure so that it continues to provide needed services to affiliated credit unions and their members;
- Geographically to expand the credit union network served by the league;

- To modernize services provided to credit union members by CamCCUL through individual credit unions.

A major focus of the original project was to develop the services and membership of the credit union movement while maintaining its viability and safety. The beneficiaries of the project have been the rural and urban poor; lower and middle income families who are credit union members; and those benefiting from loans that stimulate employment in the agricultural and small enterprise sectors. Of particular interest to USAID was CamCCUL's expansion of its small-farmer-production credit program and development of a small-business lending program in a general effort to emphasize productive credit.

### **3. Project objectives**

Present project activities are based on CamCCUL's Second Five-Year Development Plan. These are:

- Expand and improve the training function of the league;
- Expand and improve the promotion and membership function of the league;
- Enhance the operation of CamCCUL's Central Liquidity Facility;
- Expand the cooperative savings and credit institution concept to geographic new areas of Cameroon;
- Promote and expand the use of productive credit;
- Improve operations of affiliated credit unions through improved supervision and better audit and control;
- Improve the planning function in the credit union movement in Cameroon;
- Improve and expand the Risk Management Program;
- Decentralize the league's operations to provide more concentration at regional levels;
- Provide credit unions with shared management services.

### **C. Project Funding**

The WOCCU project design for Phase II described a 5-year, \$21 million project funded by a mix of donor support, plus in-kind as well as financial support, from CamCCUL and the GRC.

**Table 1. Overall Project Budget Plan**

<b>1.</b>	<b>Cameroon Credit Union Movement</b>	(\$ 000.)
	a. CamCCUL expenses from its earned income	6,285
	b. Credit union expenses from credit unions' earned income	8,735
	c. Estimated value of volunteer time	1,787
	Total	\$ 16,807
<b>2.</b>	<b>USAID</b>	
	a. Institutional support of CamCCUL (operating and training costs)	758
	b. Technical assistance	2,442
	Total	\$ 3,200
<b>3.</b>	<b>Canadian International Development Agency</b>	
	a. Institutional support of CamCCUL (commodities and training costs)	479
	b. Technical assistance	244
	Total	\$ 723
<b>4.</b>	<b>ACCOSCA</b>	
	a. Training	37
	b. Technical assistance	150
	Total	\$ 187
<b>5.</b>	<b>Government of Cameroon</b>	
	a. Institutional support (partial salary of two employees on detail to CamCCUL)	66
	b. Estimated value of periodic supervision	13
	Total	\$ 79
	<b>TOTAL PROJECT</b>	<b>\$ 20,996</b>

While the success of this project requires all parties to make their agreed upon financial and in-kind contributions in a timely and effective manner, this USAID end-of-project evaluation is concerned primarily with the provision and use of the \$3.2 million of USAID funding.

#### **D. Project Management**

The more customary USAID project management procedure is for USAID to sign a Project Agreement with an aid-receiving government, and then to sign a contract with an organization to carry out the work. Under such an arrangement there is a clear legal and contractual relationship running between the local government and USAID, and between USAID and the contractor. The arrangement with regard to the present project is somewhat different and has led to some misunderstanding among the parties.

In this project USAID accepted an "unsolicited proposal" from WOCCU as the design for Phase II. This was done to expedite the transition from the Phase I to the Phase II project. WOCCU was already working on Phase I. By accepting the WOCCU proposal, AID exercised minimal influence on the design.

USAID did not sign the Project Agreement with the GRC. Instead, USAID signed a Grant Agreement with CUNA/WOCCU. On the basis of the funds USAID (and the Canadians) granted to WOCCU, WOCCU signed the Project Agreement with the GRC. This put WOCCU in the principal position vis-à-vis the GRC. USAID and the Canadians were in the project primarily as a source of funding. Section C. of the Project Agreement between WOCCU and the GRC, under "Responsibilities of Organizations" states that CamCCUL and WOCCU have primary responsibility to achieve the project's ten basic objectives. USAID and CIDA's contribution

will be limited to financial support to the project, and participation in the evaluation.

Because none of the USAID personnel presently at USAID/Yaounde were involved in establishing the original funding and management arrangement, they may not have been aware of the implications of the present arrangement.

#### **E. Analytic Framework and Methodology Employed by the Evaluation Team**

##### **1. The Indiana Institutional Analysis and Design Framework**

The scope of work for this evaluation indicated that the Indiana Institutional Analysis and Design Framework (IADF) would serve as the basis for project evaluation. The IADF requires an assessment of the institutional environment at the governance, intermediate, and operational levels of institutional activity. The team reviewed the literature on the IADF methodology and had the opportunity to meet Professor Oakerson of Indiana University, one of

the methodology's authors. For further discussion of the Indiana methodology the reader should refer to Annex D and the bibliography.

## **2. The Data Collection and Analysis Methodology**

### **a. Background literature**

The team reviewed the extensive documentation that exists in USAID/W and WOCCU/US on the credit union movement. USAID/Yaounde and WOCCU/Bamenda provided material on the macro-political and economic situation in Cameroon as well as studies and reports on CamCCUL and the local credit union movement.

### **b. Review of individual credit union activities**

Earlier studies focused on activities of the "apex" organization, the Credit Union league (CamCCUL) itself. This USAID end-of-project evaluation focuses on the impact of the project at the level of credit unions and their members. Evaluation team members, official observers, and resource persons visited 14 credit unions. The credit unions were selected on the basis of criteria established by the evaluation team. See Table 2 at the end of this chapter.

The evaluation team met with local officials; credit union board members, managers and staff; and individual members. To assure some measure of consistency in the evaluation, a standardized questionnaire was developed. See Annex L. Reports on the site visits are in Annex E. The site visits enabled the team to verify the accuracy of the data at its source. Specific observations made during the site visits are contained throughout the evaluation report.

### **c. Analysis of CamCCUL records**

An analysis was carried out of CamCCUL and credit union financial data using standard financial analysis techniques. This exercise was intended as a management and program evaluation and not an inspection or detailed audit. The financial analysis of CamCCUL is presented in Chapter V; financial analysis of visited credit unions is in Annex F.

## **F. Evaluation Team Composition**

The evaluation team was made up of three analysts: a team leader/institutional analyst; a credit operations specialist; and a rural finance specialist/economist. They are wholly responsible for the findings, conclusions, and recommendation of this evaluation. The USAID/Yaounde CamCCUL Project Officer accompanied the team on a number of visits to credit unions. The Chief of the Service for Promotion of Credit and Savings Cooperatives

(Coop/Mut) in the Ministry of Agriculture's Department of Cooperatives and Mutuality participated as an observer. USAID/REDSO provided an agricultural economist as an observer.

**Institutional Analyst/Team Leader:** Irving Rosenthal is an independent consultant specializing in development project design and evaluation, with special concern for institutional and social soundness analysis and coordination of public/private policy issues. He has a Ph.D. in Government and Public Administration; he was a career Foreign Service Officer with USAID from 1967-1984; and he served abroad with USAID as a Mission Director, Program Officer, Public Administration Advisor, Deputy Director of REDSO/WCA and Liaison Officer with the UN Food and Agriculture Organization in Rome.

**Credit Operations Specialist:** James L. MacDade II is a banker with substantial experience in Africa. Recently he assisted the Government of Angola in the establishment of a Foreign Investment Office. Prior to that Mr. MacDade acted as Financial Markets Advisor to USAID/W Africa Bureau. He spent his banking career at Chase Manhattan Bank in several lending and management positions, including one as a Credit and Marketing Officer at Chase Bank Cameroon.

**Rural Finance Specialist/Economist:** Frans van Eysinga is an Agricultural Economist with over 15 years of experience in the design, monitoring, evaluation and implementation of rural development projects. He has been working as an independent consultant since 1985 and has been involved in designing credit components of rural development projects. He also assisted the Africa-wide USAID effort to assess experience with credit unions, which led to a USAID report on this issue.

Table 2. Characteristics of Credit Unions Visited

Region/Name	Urban/ Rural	Comm/* Empl	Prod* Credit	Large/* Small	Anglo/ Franco	Women
<b>** NORTHWEST **</b>						
Azire	Urban	Comm		Large	Anglo	30 %
Bafut	Rural	Comm	Yes	Small	Anglo	30 %
CCast	Rural	Empl		Small	Anglo	20 %
Santa Central	Rural	Comm		Small	Anglo	30 %
Njindom	Rural	Comm	Yes	Large	Anglo	50 %
<b>** WEST **</b>						
Dschang	Urban	Empl		Small	Franco	n.a.
Bamoungoum	Rural	Comm		Small	Franco	n.a.
<b>** LITTORAL **</b>						
Manjo	Rural	Comm		Small	Franco	15 %
Nkongsamba	Urban	Comm	Yes	Large	Franco	17 %
<b>** SOUTHWEST **</b>						
Tole Tea	Rural	Empl		Large	Anglo	68 %
Ekona Research	Rural	Empl	Yes	Large	Anglo	20 %
Sonara	Urban	Empl		Large	Anglo	10 %
Tiko Central	Urban	Empl		Large	Anglo	18 %
Atlantic	Urban	Comm		Small	Anglo	n.a.

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\*      Comm      Community credit union, e.g., a rural village  
        Prod      Credit union with a Productive Credit Program  
        Empl      Employee credit union, e.g., a university  
        Large      More than 300 members

See Annex E for further definition.

## II. POLITICAL, ECONOMIC AND FINANCIAL CONTEXT: THE GOVERNANCE AND POLICY REGIME

### A. Sociopolitical Realities <sup>1</sup>

#### 1. Basic Political and Institutional Framework

##### a. Sociopolitical character of Cameroon

Cameroon is characterized by a set of sociopolitical realities, some rooted in conditions of long standing and others resulting from more recent events. The primary long-term influence is a national identity shaped by ethnic, tribal, and regional loyalties as well as by well-delineated anglophone and francophone regions and attitudes. Other important forces at work include traditional attitudes to power, position and status in a rapidly changing political and weak economic environment. These include:

- A massive public sector deficit;
- Declining agricultural export earnings;
- A substantial public debt service burden; and
- Illiquidity in the banking system.

##### b. The Presidency

The project exists in the context of a structure of governance dominated by centralized Presidential authority. The President controls the major political party apparatus, and the security forces; and he is the dominant figure in the political life of the country.

##### c. Popular legislative representation

The existing governance system lacks genuinely free elections. Candidate lists are controlled by the principal political party, although cracks are beginning

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<sup>1</sup> This section draws liberally from the December 1991 Mid-term evaluation of the Cameroon Agriculture Policy Analysis Project, Phase III, Harlan Hobgood, Team Leader.

to show in the system—witness the controversy surrounding recent legislative elections. In October 1991 the President announced legislative elections, which were held in March 1992, in which the President's party failed to gain a clear majority. Municipal elections are to be held late in 1992 and Presidential elections are scheduled for April 1993.

Although CamCCUL presently has 75,000 members, its organization and numbers has been used sparingly as a political force. The recent example was pressure on the government to intercede in the release of amounts deposited in the Cameroon Development Bank (CAMBank) when that institution closed. Further testing of popular expressions of views, for CamCCUL as well as the general population, is necessary before being able to understand the effectiveness of such action.

d. The Legal and Judicial system

The judicial system has been viewed as an extension of the political system, whereby judges are named by the President with only formalized legislative consent. Training in judicial procedures is detailed and formalistic but with little effective concern for individual rights vis-à-vis the state. The judicial system cannot be said to support the concept of contract between equal parties nor to establish a positive environment within which private citizens can conduct private business; instead, it is widely perceived to reinforce the existing power structure. Redress of damages through the judiciary system has been attempted by CamCCUL and the credit unions, but reliance on the legal system to recover delinquent loans is problematic. This factor has resulted in extremely risk averse lending practices by Cameroon's formal financial institutions, as well as by CamCCUL, and has constrained the investment of resources into new businesses.

e. The Bureaucracy

The President governs a highly centralized, "rent seeking" bureaucracy, regulated by well-defined rules and procedures. Within this system important appointments and promotions are controlled by the Presidency. The bureaucracy governs a state-system of economic management, including over 130 parastatal organizations. Within the bureaucracy, patterns of interaction are characterized by highly personalized networks of influence. The most important are those cultivated by the central decision makers.

Cameroon's unitary government resembles those found throughout most of Francophone Africa. The main social concept underlying this structure is the principle of hierarchy whereby orders are transmitted from the top to the bottom in a single "chain of command." Another characteristic is the notion of *tutelle* or guardianship. As the guardian of the nation, the state is responsible for the welfare of the people. The notion of *tutelle* assumes that the people must be constantly supervised and guided for their own

good. This idea is reflected in the commitment of extensive regulation and "supervision" of cooperatives and "intervention" in credit unions by the government.

A declining economic environment, however, conditions imposed by donors, and constrained fiscal resources have begun to limit the bureaucracy's sphere of discretion. The centralized decisional environment has become constrained as reform pressures to privatize, liberalize, and economize have mounted under intense donor scrutiny. As in many other parts of Africa, public pressures in Cameroon are mounting to democratize the government, make the bureaucracy more responsive to the people, and to assure that its activities are transparent and accountable.

f. Recent Sociopolitical Developments

In early 1990 there was a wave of social agitation for multi-party politics throughout West and Central Africa which also hit Cameroon. After severe political unrest in the country, 40 political parties were legalized in September 1991. The major political parties demanded a National Conference similar to those held in Togo, Congo and Niger. The President's rejection of this demand led to the opposition's call for a policy of "Villes Mortes" (Ghost Towns), which lasted for almost 6 months in 1991. This paralyzed economic activity and plunged the country deeper into economic recession. The political unrest is still present in the form of nonviolent civil protest, primarily nonpayment of taxes, and strikes in certain sectors of the economy. The results of these recent attempts to change the relationship between the government and the people has yet to be determined. There is now freer and more frank and open discussion of these issues in the media and elsewhere.

g. Impact of Recent Political Activities on CamCCUL

The current political crisis in Cameroon has interrupted normal working activities in many parts of the country, particularly in the North West Province. CamCCUL and WOCCU staff attempted to implement planned activities despite the "Ghost Town" operations. While the league and its affiliated credit unions have not suffered direct setbacks in achieving project objectives, achievement of quantitative objectives have been somewhat below target. While economic activity in the country has slowed down and other financial institutions have suffered, CamCCUL has survived as a financial institution and membership confidence in CamCCUL has remained strong.

**2. Population Context**

The total population of Cameroon is estimated at 12.3 million with an annual growth rate of 2.9%. An estimated 40% of the population lives in urban areas with an annual increase of 6%. Literacy levels in Cameroon are among the highest in Africa. Approximately

75% of school age children attend school, although attendance rates are much lower in the Muslim north (45%) than in the anglophone south-west (95%). The population is extremely diversified ethnically with the Bamiliké being the largest ethnic group (1.5 million). The country is officially bilingual in French and English, although about 80% of the population is Francophone. The size and nature of the population provides a fertile environment within which CamCCUL can expand, prosper, and sustain itself.

### **3. Cooperative Law**

Credit Unions are cooperative societies governed by the cooperative law of 1973 and the Government Decree of 1974, which established the application of the law. The Department of Cooperation and Mutuality (Coop/Mut) in the Ministry of Agriculture is responsible for implementation of this law and supervising the cooperative societies. Because of the Government's top-down approach, the Ministry's lack of resources, and the Government's general rent-seeking tendencies, Coop/Mut has been somewhat inefficient in supervising the law. Coop/Mut's interference in the operation of some of the more successful credit unions has resulted in their near-bankruptcy. Certain regulations of the credit unions, notably the requirement for annual audits, by agreement between Coop/Mut and CamCCUL, are now carried out by the latter.

One aim of the World Bank Structural Adjustment Programs, supported by most of the international donor community, has been to grant the cooperatives more autonomy and reduce direct government intervention. Drafting a new cooperative law was undertaken in 1988 with the support of international donors. A final draft was recently presented to the prime minister and presidency in May 1992 and will be referred to Parliament in 1992 for ratification.

CamCCUL was informally requested to provide comments on early drafts of the new cooperative law. Their comments resulted in some modifications. See Annex I. CamCCUL lobbied extensively for a separate credit union law but this resulted only in a separate section in the proposed law that deals exclusively with credit unions. CamCCUL still has some minor reservations with the proposed law, but overall feels that it is acceptable.

A major advantage of the proposed law is that the cooperatives and credit unions will be considered autonomous, private organizations belonging to their members to be managed and controlled by them. An additional improvement is that board members would be permitted to serve only two consecutive terms of three years each. This is expected to improve management. Limits are also set as to the amount of time members can serve on the various committees within a credit union. These more frequent changes of board members will put additional pressure on CamCCUL training activities for which there continues to be a shortage of funds. If donors continue to support liberalization of the cooperative law, they should also be prepared to provide some extra support to CamCCUL and other cooperatives for training and education in the effective use of the new law.

A problem for many of the smaller cooperative societies may be the obligation to appoint a manager who would be remunerated in accordance with the labor law. Many managers/bookkeepers now work either on a voluntary basis or with low remuneration. Smaller credit unions and other cooperative societies may not have the resources to shift from a voluntary to a fully paid operation. In determining how to support implementation of the new cooperative law, donors must also take into account the additional salary costs to the cooperatives of applying the more costly labor law.

The current draft law requires all cooperatives to reregister. Although reregistration may help weed out nonactive cooperatives, instead of streamlining the bureaucratic process, this feature will add duties to an already overburdened civil service poorly equipped to carry out its current functions. Reregistration will also oblige cooperatives to duplicate arduous and time consuming efforts already made. A possible alternative would be to require all cooperatives to indicate whether they wish to maintain their current status. Cooperatives not requesting reregistration within a specific period of time would automatically be decertified. CamCCUL could assist this process by compiling a list of all credit unions wishing to remain active.

## **B. Macro- and Microeconomic Context**

### **1. General**

From the late 1970s to 1986 Cameroon achieved steady annual economic growth averaging 7.5%, on the basis of a wide range of agricultural exports and virtual food self-sufficiency. This was augmented substantially in the late 1970s by the development of offshore oil reserves. In 1986 the dramatic decline in world oil prices, combined with a sharp appreciation of the FCFA against the U.S. dollar, had a severe adverse effect on the economy. The world market prices for coffee and cocoa, which are presently at a 22 year low, has further aggravated the economic situation.

In 1987/88 the GDP fell by 10.4% in real terms followed by further average annual declines of 3.3%. For 1991/92 a small growth of GDP is predicted. GDP per capita, expressed in constant 1979/80 terms, was FCFA 230,000 (\$820) in 1985/86, but declined to an estimated FCFA 168,000 (\$600) in 1990/91. According to official government figures agriculture, forestry, and fishing contributed in 1986/87 24.4% to GDP; oil production 9%; manufacturing 13.6%; trade and tourism 14.3%; and the service and financial sectors 12.3%. These official figures continue to understate the importance of the petroleum sector, whose extra-budgetary contribution to the Cameroonian economy is still estimated at more than 45% of government revenues.

The IMF, the World Bank, and other donors have established a structural adjustment program that calls for the liquidation of 1/3 of state enterprises, privatizing 1/3 and restruc-

turing the remainder. Progress to date has been slow, with the government reluctant to implement massive job redundancies fearing political and social repercussions.

Women make up 34% of the work force estimated at 4 million in 1987. Approximately 70% of the work force is employed in the agriculture sector. The public sector employs over 180,000 people, requiring 47% of the 1991/92 national budget to cover salaries. Salary structures in the private sector are determined by collective bargaining agreements between employers and employees and regulated by national labor laws and decrees. Public-sector wages are lower than those in the private sector but civil servants receive additional benefits such as housing and car allowances. As part of the Structural Adjustment Program the government has recently started to reduce these allowances.

## **2. Agriculture**

The agricultural sector has long been the backbone of the Cameroonian economy. Subsistence crops account for 45% of the value of agricultural output; export crops (cocoa, coffee, cotton, rubber, tea, bananas, pineapples) 25%; livestock and fisheries 17%; and forestry 13%. Some 90% of farming remains in the traditional sector. The "modern" sector is mainly in the hands of public or semi-public enterprises that are for the most part inefficiently managed.

The government-operated system of fixed producer prices will be abandoned in 1993. In recent years prices for coffee and cocoa have been reduced dramatically and brought more in line with the world market prices. Because of current low producer prices and the delays in payment for their products farmers are reluctant to invest in productive inputs. Cocoa production saw a drop from 125,000 tons in 1989/90 to 95,000 tons the following year. Farmers are shifting from cash to food crop production. As a result prices for these commodities have also declined.

## **3. Employment and Labor Law**

Cameroon has a fairly detailed labor law that sets out the rights and obligations of both employees and employers, a law similar to those found in many European countries that tend to favor the employee over the employer. Since the new cooperative law requires cooperatives to abide by the labor law, this requirement could have a chilling effect on the cooperatives. The budgetary effect on smaller credit unions has already been noted. The ruse of calling credit union managers "bookkeepers" was designed to avoid having to pay the "perks" that someone with the title of "Manager" is supposed to get, but many "bookkeepers" unfortunately see their role accordingly not as managers but as true bookkeepers, which is unfortunate. But the labor law will also significantly affect on employee recruitment, discipline, and dismissal. CamCCUL itself has been slow to hire needed specialized staff, because of concerns of being sued when people have to be let go.

#### **4. Implications of Changing Economic Conditions**

Rural areas, as well as the entire economy, have suffered from the downturn in world market prices for Cameroon's major export crops. In the coffee and cocoa producing region served by CamCCUL, farmers have been enormously discouraged. This has been aggravated by the fact that many farmers have received payments for their coffee and cocoa several years late because of the national liquidity crisis and serious management problems in the marketing boards. The Ghost Town operation halted virtually all economic activity in the country for over 6 months in 1991. As a result, many productive activities were put on hold and some government employee credit union members received only partial or no salary payments for a number of months.

Because of political and economic uncertainties, productive investments have been low, as has demand for credit. Lower wages in certain sectors of the economy (CDC estates) and a sharp fall in income from export crops will most certainly affect the level of savings in the near future as discretionary incomes fall. Despite these factors, credit-union-member confidence remained intact. Indeed, membership and savings have increased during this period.

CamCCUL's earnings margins will most likely be negatively affected by the deteriorating economic situation, although recently interest rates on credit union loans to members were increased from 1% to 1 1/2% per month. On the other hand, the problems in the banking sector may provide CamCCUL with an opportunity to benefit from a lack of consumer confidence in the banks.

### **C. Financial Sector**

#### **1. Public Finance**

Following the sharp fall in oil revenues, the first austerity budget was announced in 1987. The government budget was slashed from FCFA 800 billion (\$ 3.1 billion) in 1986/87 to FCFA 650 billion (\$ 2.5 billion) for 1987/88. The budget for 1991/92 is FCFA 545 billion (\$ 2.1 billion). However, the government has consistently failed to meet the targets set on expenditures and revenues. The 1990/91 budget deficit is estimated at 7.2%. As previously mentioned the public sector payroll is absorbing 47% of the national budget. Measures to address this issue have not yet been taken by the government.

#### **2. Banking**

The formal financial sector in Cameroon is well developed. There are many active banks with offices in the major urban areas. The banking sector was one of the first to feel the real impact of the economic crisis. From early 1987 onwards the government began to withdraw its sizeable deposits from the commercial banks as its own liquidity dried

up. At the same time, private companies, finding themselves faced with substantial payment arrears, were forced to turn to the commercial banks for credit. There were also problems with commercial loans to finance agricultural cash crops and bankrupt parastatals. Combined with the strict discipline of the franc zone, credit ceilings imposed by BEAC, and acute mismanagement within the banking sector itself, the banking sector underwent a severe liquidity crisis. By mid-1987 several of the major commercial banks were technically insolvent, and in 1989 the World Bank estimated the aggregate deficit in the banking sector at FCFA 300 - 375 billion, roughly equivalent to 1/3 of the banks' total assets and about 10% of GDP.

A number of banks went into liquidation, and branch closures and staff cuts are expected among the surviving banks. The agricultural development fund FONADER has been liquidated and replaced by a new agricultural development bank, *Crédit Agricole*.

### **3. The Informal Financial Sector**

Studies indicate that approximately 70% of the population belong to an informal savings group, called a "meeting" or a *njangi*. Many people are members of more than one such savings group, which are often set up for a particular purpose, e.g. to save for school fees. These informal savings groups are believed to mobilize significant amounts of savings, which in turn are lent or given to its members on a rotational basis. Each savings group has its own set of rules. In general, a lump sum payment or a loan is extended to one or sometimes more members of the group when it is their turn. Credit is usually for a relatively short period of time (up to 1 year) at relatively high real interest rates of approximately 30%. Many of these groups keep their funds with the credit unions. Other sources of informal credit are moneylenders and "friends" who loan money at high interest rates. Family members are another source of credit. See Annex E for a further discussion of informal credit in rural areas.

### **4. Implications of Financial Sector Changes**

The liquidity crisis of the banks could have seriously affected the Credit Unions and CamCCUL since they had deposited significant portions of members' savings in these institutions. After some difficulty, CamCCUL managed to withdraw the majority of its deposits from the most severely affected banks. In 1989, for example, CamCCUL had FCFA 1.5 billion on deposit with CamBank, which equalled 50% of its total Central Liquidity Facility funds. The league has to date recovered all of the funds it had on deposit with this defunct bank. Positive intervention on behalf of the league by the World Council of Credit Unions, the World Bank, and USAID/Cameroon with the Ministries of Finance and Agriculture played an important role in recovering these funds.

Another potentially disastrous situation was averted through the merger of the Meridien Bank Cameroon S.A. with BIAO/Cameroon; nearly all CamCCUL CLF deposits at

BIAO totaling approximately 800 million FCFA were frozen during the past year at this technically insolvent bank.

CamCCUL had approximately another 500 million FCFA of CLF funds on deposit at BCC. Some funds have been withdrawn from BCC and there are signs that further withdrawals can be anticipated. Rather than liquidate the BCC/Cameroon, the government is currently negotiating with other foreign banks to assume its control.

The risks of placing any deposits in Cameroon banks are high, since there is no deposit insurance fund to safeguard these deposits. The main implication for CamCCUL is that more care must be taken with regard to depositing funds with these financial institutions. A more professional approach to portfolio management is required. In view of the possibility of a devaluation of the FCFA as a result of the upcoming monetary union of the EEC countries, management of this portfolio by a multinational bank should be seriously considered.

The creation of the Credit Agricole Bank is not likely to have a serious negative impact on CamCCUL. Like other banks in urban areas, this bank will try to mobilize easily available funds, primarily interbank placings. It is unlikely that Credit Agricole will be more flexible than are other commercial banks in extending credit to target groups in the rural areas.

### **III. RELEVANCE OF THE CREDIT UNION MOVEMENT AND CAMCCUL**

#### **A. Key Structures of CamCCUL in Cameroon**

##### **1. CamCCUL organizational structure**

An organization chart of CamCCUL is on the following page. The overall level of staffing is too thin for the volume and nature of work and the geographic spread of CamCCUL's activities. The fact that most staff members are generalists who have been promoted through the system without advanced technical training compounds the shortage of skilled personnel that threatens the long-term survival of CamCCUL.

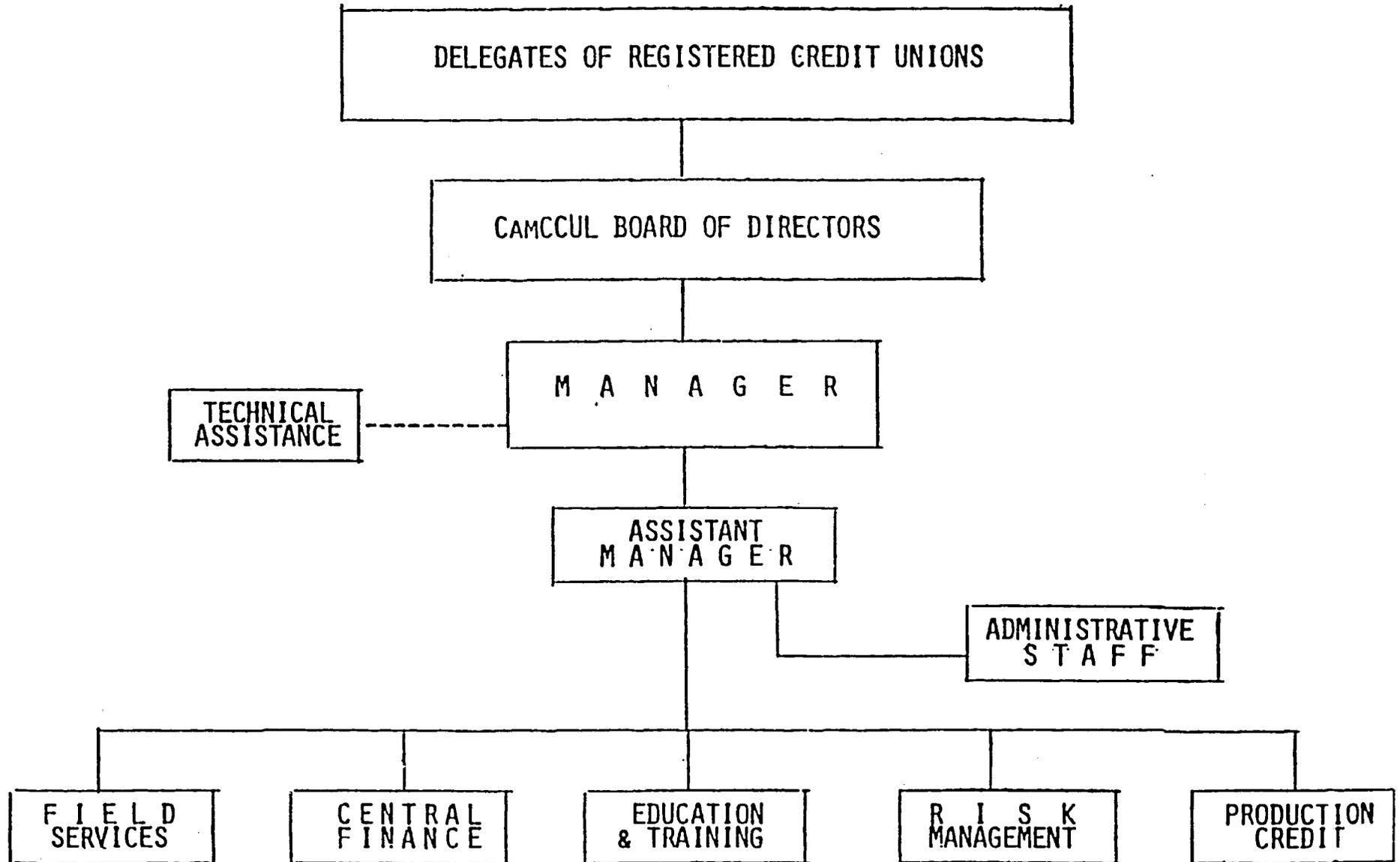
At the field level CamCCUL provides services to the affiliated credit unions through its field workers. Even if all vacant positions were filled, coverage would still be thin considering the range of services demanded of them. The evaluation team recommended that a number of technicians especially trained in the field of financial management be recruited. It is believed that Cameroonians with such skills are available.

Individual credit unions are represented on the CamCCUL board by regionally elected chapter representatives. Turnover of CamCCUL board members has been low, resulting in some stagnation of creativity. The proposed new cooperative law permits board members to serve only two consecutive three-year terms. This should address part of this problem. The selection of Board members and their qualifications will also be a subject reviewed by CamCCUL. This will help ensure that the most experienced and dynamic people will be selected for these management positions.

##### **2. Regional offices**

Presently there are three operational regional offices—in Mutengene, Douala, and in Kumba. The regional offices should play a more important role in training, expansion of membership, and establishment of additional credit unions. The recently appointed league manager, who was a former supervisor of field workers, has already increased the responsibility of these regional offices. A reorganization of CamCCUL, announced by the new manager on May 17, underlined the new manager's regard for the importance of the individual credit unions and the increased attention the credit unions should be receiving from field workers.

CAMCCUL ORGANIZATION CHART



### **3. The league's structure**

The majority of the credit unions are found in the northwest, southwest, littoral, and central provinces and are presently grouped into eight chapters. By 1993 the number of chapters will be increased to nine. In and around Yaoundé, and one in Douala (Zone Nylon) there are a number of Caisses Populaires (credit unions). They belonged to the Union des Caisses Populaires de Yaoundé (UCPY), an organization that is dormant and, according to some authorities, not really a credit union. There are also a number of credit unions in Yaoundé that are registered with CamCCUL, for example, the American Embassy/USAID credit union.

There are presently more anglophone than francophone credit unions in CamCCUL, although membership in the francophone zone is growing faster than that in the anglophone. There are presently a larger number of anglophone board members, which does not yet reflect the growing size of Francophone membership. Although French is one of CamCCUL's official languages and annual reports are published in French and English, business at the annual general meeting is generally conducted in English. If expansion into the Francophone areas is to succeed, the French language will have to become more important to league activities.

There are over 250 credit unions that are part of the CamCCUL system, of which 142 are registered; the others are unregistered "discussion" groups, some of which have existed without legal status for over 20 years. Some of these credit unions are dormant, but it is thought that many of them could be revived. Annex N characterizes active credit unions and those considered dormant. An important recommendation is for CamCCUL to inventory all its credit unions and to define which are active and which are dormant. Among the dormant credit unions CamCCUL should decide which should be liquidated because they can not be revived and which could benefit from special management attention and institutional strengthening.

## **B. Administrative and Operating Rules of the Credit Union Movement**

### **1. Statutes**

CamCCUL and the credit unions are guided in their administrative and operating rules by the Statutes of 8 June 1968. The Statutes deal with the league's objectives, admission criteria, required share capital, and administrative procedures. The procedures include such things as the number of meetings required, composition of the board, and the rights and obligations of the board. See Annex H for a copy of the league and credit unions' Statutes.

## **2. Bylaws**

League bylaws provide guidelines to the credit unions as to purpose, rights within the league, membership issues, and financial management.

### **C. Financial Relationship with Traditional Credit**

The informal financial sector generates substantial amounts of savings. In order to attract informal groups (e.g, *tontines* or church societies) to place their savings with a credit union, more attractive terms may have to be offered such as greater flexibility of withdrawal from savings and/or paying interest on deposit accounts. These groups sometimes take out loans from the credit union to conserve their savings. See Chapter II. C and Annex E for further discussion of informal and traditional credit groups.

### **D. Role of the Ministry of Agriculture, Department of Cooperation and Mutuality**

The principal Cameroon regulatory agency for CamCCUL is the Ministry of Agriculture's Department of Cooperation and Mutuality (Coop/Mut). The role of Coop/Mut vis-à-vis CamCCUL is primarily a function of the cooperative law discussed in Chapter II.

Coop/Mut is responsible for the annual audit of credit unions. By agreement between Coop/Mut and CamCCUL, these audits have been carried out by CamCCUL. In the proposed new cooperative law this responsibility will be formally transferred to CamCCUL. Up to now, Coop/Mut has audited the accounts of the league. Under the new cooperative law, audit will become the responsibility of the league. To carry out a professional outside audit will substantially add to CamCCUL's operating costs. USAID and other donors must consider the financial implications they are bringing to the cooperative societies by urging the passage of the new cooperative law.

Coop/Mut has also been responsible for the registration of credit unions, a process that sometimes has taken years to complete. Present Coop/Mut staff indicate they are aware of the former inefficiencies but felt that some of the delay resulted from poor physical communication between the provinces and the capital. Other delay resulted from inaction at the level of the minister. Under the new law, registration will be completed in Coop/Mut provincial offices. The new director indicated he would like to set three months as a standard time period for these offices to process requests for registration.

Many CamCCUL staff feel that government interference in CamCCUL financial activities would have been more extensive if not for the "benefactor" role of USAID. The termination of USAID assistance will end this role and could make it easier for government officials to extract "rent" from CamCCUL. The new cooperative law is written to eliminate GRC employees being "detailed" to cooperatives and should substantially diminish opportunities for government interference. Nevertheless, the evaluation team suggests that

USAID seek to continue its benefactor role to CamCCUL, even if new aid may be unavailable.

#### **E. Anglophone/Francophone Issues**

CamCCUL considers itself a nationwide organization. Its mission statement calls for it to expand and provide services to all provinces in the country, including predominantly francophone areas. Anglophone/francophone institutional and political differences, however, could exacerbate CamCCUL's future management problems.

The establishment of a unitary government in 1972 placed anglophone Cameroon, primarily the northwest and southwest provinces, with 21% of the national population under the authority of a central government dominated by the francophone regions. The central government sought to standardize administrative practices on the basis of the French model throughout the country and established uniform codes and regulations consistent with a "top-down" approach of a centralized and unitary government.

CamCCUL, however, originated in the anglophone zone and developed using a "bottom-up" British model. One of CamCCUL's strengths is its democratic responsiveness to the needs and wishes of its members. Within CamCCUL there is some tendency among senior board members to adopt the top-down attitude. Attention must be paid to guard against these tendencies since as the league expands into Francophone areas the "top-down" attitude could well derail the movement. On the other hand, unless CamCCUL makes some concessions to the Francophone provinces, such as greater use of the French language at the Annual General Meeting, people in these provinces may not feel comfortable becoming part of the league.

#### **F. Relevance of the Project in Terms of Need for Rural Credit**

It was often assumed that the rural population was unable to save and needed subsidized credit to further its development, but recent studies have demonstrated that there is a demand for reliable savings institutions in rural areas. Credit unions are able to mobilize substantial rural savings for lending to their members. Demand for credit in rural areas, however, may be lower than assumed. Demand for credit is certainly low at this time because of the current economic crisis.

The credit unions' outstanding loans to members are presently less than half the savings placed with them. According to statistics provided by the credit unions, two-thirds of these loans are used for building, education, and health, while a lesser percentage is used for agriculture and business. The loans may well be used for other than the stated reasons, however; little research has been carried out to determine the actual needs for and uses of credit. Such information is needed for better management of present operations, as guidance for expansion into new regions, and to help determine the future mandate for the movement.

Of special interest are the employee-based credit unions that feature regular monthly savings and repayments of loans. These credit unions have a much higher ratio of savings loaned to their members. The same is true for the larger urban and community credit unions.

Extension of CamCCUL's Productive Credit Program, whose main attraction was loans of up to 5 times savings, has not met expectations. Credit union officials as well as loan applicants do not want to fill out a form requiring details about the purpose of the loan, financial information on the applicant, and other personal data. It may also confirm that overall demand for credit, and specifically demand for productive credit, is less than assumed. See Annex N for the instructions on completing the productive credit loan application.

There is no doubt that many credit union members have benefited from the availability of credit at reasonable interest rates from the credit unions and that they have used these resources to engage in productive activities. It is widely anticipated that demand for loans for productive purposes will increase with meaningful political reform and an economic upturn. Additional promotion of the use of credit by credit unions among its members, by outside actors such as USAID, may increase demand for loans. Another reason to anticipate an increase in demand for credit from the credit unions in the rural areas may be the structural adjustment programs presently being implemented.

At the same time, FONADER, a previous source of rural credit, was recently liquidated. The credit unions could serve as an alternative to FONADER-provided credit.

#### **G. Validity of Underlying Assumptions in the Initial Project Design**

As a result of the economic crisis, political turmoil, and the liquidity crisis of the formal financial sector, the following assumptions made during the project design phase are no longer valid.

- The political and economic environment will continue to be stable.
- Promotional activities will prove successful, especially with the assistance of newly hired bilingual staff.
- Total movement savings will grow at an average annual rate of 21.7%, and the league will continue to receive profitable returns on its financial investments.
- CamCCUL and affiliated credit union activities generate projected income.
- The Government of Cameroon will continue support. (This ceased upon the departure of the previous manager who was funded by the GRC; Coop/MUT supervision is hard to value, but has been perceived as an obstruction.)

- The cooperating partners will continue support. (Peace Corps halted its participation in the credit unions and the Dutch are considering terminating their assistance.)

Other assumptions are considered to have remained valid although somewhat affected by the political and economic turmoil.

## IV. IMPLEMENTATION MANAGEMENT

### A. Introduction

A key means of evaluating the project's progress in achieving the stated objectives is a review of the output targets and schedule of inputs specified in the Logical Framework. An analysis of project outputs is followed by comments regarding inputs. The status of inputs is attached as Annex Q.

### B. Output Analysis

#### 1. Table 3. Training Outputs

No.	Output Description	EOPS	Actual 4/92	%EOPS
1	No. CU Officers Trained	2,850	2,186	77%
2	No. Bookkeepers Trained	1,010	632	63%
3	No. League Board Wkshps	10	7	70%
4	League Staff Spec. Training	7	9	129%
5	No. CU Members Educated on Operating Principles	14,000		Unknown

The training output objective has largely been met, with the major constraint to full achievement being the civil unrest in 1991. It should be noted, however, that these output indicators are quantitative and do not address the qualitative achievements of this training (e.g., X number of bookkeepers now function at Y level of competence). This is a major shortcoming of the original project design.

No data was available on output #5, "the number of credit union members educated on operating principles." WOCCU insisted that this target was the responsibility of the individual credit unions. While the locus of responsibility could not be verified by a review of the Project Paper, CamCCUL/WOCCU should at least have had some information as to how the credit unions were approaching this target and what CamCCUL/WOCCU assistance might be needed.

2. **Table 4. Promotional Outputs**

No.	Output Description	EOPS	Actual 4/92	%EOPS
6	No. New Posters Produced	5	0	0
7	No. Calendars Produced	5	5	100%
8	No. Audio/Visual Presnt.	4	3	75%
9	No. New Brochures	4	5	125%
10	No. New Manuals	3	3	100%
11	No. Radio Programs	30	207	690%
12	No. Newsletters	51	38	75%

Development and distribution of promotional and outreach activities by CamCCUL and WOCCU during the project period has been successful. Further work remains in translation of these materials into French to assist in the geographic expansion into Littoral and West Provinces.

3. **Table 5. Membership/Geographic Outputs**

No.	Output Description	EOPS	Actual 4/92	%EOPS
14	Total No. CU Members	95,000	75,657	80%
15	CU Members NW/SW Prov's	59,000	62,917	107%
16	CU Members Other Prov's	36,000	12,740	35%

Overall membership goals have largely been attained, but planned expansion into the francophone provinces of Littoral and West has been more difficult, again due in large part to extensive political turmoil and the need to improve management in credit unions already registered.

#### 4. Table 6. Management Outputs

No.	Output Description	EOPS	Actual 4/92	%EOPS
17	No. CU in SFPC Program	50	39	78%
18	No. CU in Small Biz PC	20	39	195%
21	CamCCUL 5 Year Plan	1	0	0%
25	No. Regional Offices	6	3	50%
26	No. Service Centers	30	0	0%

Productive credit objectives have not been realized, even though the percent of EOPS is high. Use of these programs by individual borrowers has not met expectations, partly because of the recent economic and political problems. Further discussion is found in Chapter VII Section E, which focuses on the project objective regarding the Productive Credit program.

Development of the third five-year plan by CamCCUL began in 1990 with the creation of a task force. Further work on the plan was delayed for a variety of reasons detailed in Chapter VII. The current league manager is well aware of the need to pursue the development and adoption of the new five-year plan.

Establishment of additional regional centers has had some progress, with the major impediment of full realization being recent political instability. It was felt that the extension of service centers did not make economic or management sense in the current environment.

#### 5. Table 7. Risk Management Program Outputs

No.	Output Description	EOPS	Actual 4/92	%EOPS
22	No. CUs in RMP	125	117	94%
23	Value Loans Insured	14.4	8.3	58%
24	Value Savings Insured	17.6	9.1	52%

The risk management program is an insurance scheme run by CamCCUL. It pays off loans and matches savings in the event of death or disability of the credit union member. These claims are settled directly out of premiums paid by member credit unions to the league. Refer to Chapter VII Section H for a fuller discussion of the issues surrounding the risk management program.

## 6. Table 8. Financial Outputs

No.	Output Description	EOPS	Actual 4/92	%EOPS
13	% CamCCUL Deposits Lent to Credit Unions	30%	0.53%	2%
19	Avg. Loan Delinquency	8%	26%	325%
20	% Dues from Affiliates	99%	94%	95%
27	Total CU Savings (B CFA)	21	11	52%
28	Total CU Loans (B CFA)	14	6	46%
29	% Total CamCCUL Expenses Paid from Earned Income	100.6%	100%	99%

Outputs regarding the central liquidity fund and loan delinquency are explored in greater detail elsewhere (CLF - Chapter VI; Asset Quality - Chapter V). The difficulty of achieving savings and loan outputs is one consequence of the prolonged economic crisis affecting Cameroon. The very low 2% figure for CamCCUL deposits lent to credit unions is a major difference from that intended in the project design. The anticipated flow of liquidity in the project design was to be from the CLF toward the affiliated credit union, not from credit unions to the league as at present.

## 7. Findings

WOCCU has been mostly successful in attaining the output targets as specified in the original project documentation. The training and promotion outputs were substantially achieved even though the team member responsible for those activities was late in joining the project staff. The disruption caused by the Ghost Town movement was given as the reason that these goals were not fully realized. This factor also interfered in the planned geographic expansion into the Francophone Littoral and West Provinces. Output indicators regarding the risk management program; productive credit; loan delinquencies; third five year plan; and central liquidity facility are covered more fully covered in chapters V and VII.

## 8. Recommendation

An important lesson learned is the need for refinement of those outputs involving human resource development and attitudinal change, especially training and to a lesser extent promotion activities. Instead of concentrating solely on the "quantitative" aspect of these activities more work should be done to assess their "qualitative" impact. While quality is more difficult to assess, this approach would yield a better measure of these outputs' effectiveness.

### **C. Implementation Inputs Analysis**

The following analysis relates to the project implementation schedule on pages 121-124 of the project paper for the Phase II project. See Annex Q for detail. The budget that relates to this schedule is the \$3.2 million provided by USAID. WOCCU budget estimates through August 31, 1992 are provided in Annex S.

- There were some initial problems regarding the fielding of the resident technical advisors, with turnover in both the chief of party and education and training staff positions. This had a negative effect on attainment of implementation goals.
- US Peace Corps involvement in the project ended in 1991, and P.C. volunteers were replaced by volunteers from the Dutch agency SNV. It is felt that this was a positive development since the Dutch volunteers are in general better trained and have longer duration assignments.
- Some training inputs were canceled or delayed because of the period of political strife in 1991. Sessions dedicated to training in Productive Credit were not held, for the same reason. The political instability also precluded a feasibility study on a checking/clearing system.
- Development of CamCCUL investment policies was not completed, although a revision of league credit policies and procedures was done.
- Increasing planning skills among CamCCUL staff was accomplished. The broad objectives for the third five year plan were established but further progress has been hampered by several factors.
- A manual of minimum operating standards was completed and translated into French. Implementation assistance was provided to member credit unions.
- An organization analysis and review of the league structure was completed, which resulted in a new chapter being formed in West Province.
- The overall provision of inputs generally conformed to plan. The high quality inputs provided by WOCCU was a major factor in meeting end-of-project output targets and overall project objectives. A primary constraint encountered was the political strife that occurred during 1991.

## D. Input-Output Effectiveness Indicators

### 1. Findings

CamCCUL has developed a series of "health" indicators to monitor the effectiveness of their activities in support of member credit unions and to serve as a diagnostic and evaluation tool. These indicators include: Member Growth; Shares and Savings Growth; Loan Growth; Loans as a percent of Shares & Savings; Fixed Deposits as a percent of Shares & Savings; Patronage; Interest Collection; Expense/Income ratio; Reserves as a percent of loans; Dividend rate; and Loan Delinquency rate. Ranges of values are established, and weighted scores assigned to each, yielding a total score for each individual credit union.

### 2. Recommendation

This monitoring and evaluation system is an important diagnostic/management tool. As a further refinement financial indicators and specifically those concerned with loans should be considered separately in order to identify those credit unions in need of greater supervision. Another useful indicator would be the number and amount of loans granted that are exceptions to stated credit policies.

## E. Table 9. Project Budget and Expenditures

Project expenditures will be slightly less than budgeted amounts according to the following breakdown:

US \$ M	Amended Budget	Est PACD Total	% Difference
Technical Assistance	2,561	2,517	1.7%
Institutional Support	596	540	9.4%
(Instit. Salary Support *)		256	21316.8%)
TOTAL	3,157	3,057	

\* Included within institutional support, above.

A serious concern for CamCCUL will be the withdrawal of institutional funding support provided by the project. Recurrent salary support has been a particularly important contribution to CamCCUL's activities, as well as funds for training and promotion, transport and gasoline, and it is unclear how this funding gap will be met. CamCCUL must develop a plan to cope with this future budgetary shortfall as well as to secure operating funds to implement many of the recommendations in this report.

## **V. THE FINANCIAL PERFORMANCE OF CAMCCUL and MEMBER CREDIT UNIONS**

### **A. Introduction**

This chapter is devoted to an analysis of CamCCUL and member credit unions as viable financial institutions. The analysis used performance criteria and indicators that are normally employed in an analysis of a financial institution, modified to highlight issues identified as important. The analysis will focus on several aspects of CamCCUL's performance and condition, including: asset quality; asset/liability management; liquidity; profitability; and observations on general financial management competence. The data for CamCCUL in this chapter are consolidated member credit union figures. However, the continued viability of the league and the credit union movement in Cameroon depends on the condition of each member credit union; CamCCUL merely reflects the larger issues and forces at work. Annex F contains analyses for each of the 14 credit unions visited by the evaluation team.

### **B. Asset Quality**

#### **1. Definition of Asset Quality**

Asset quality is perhaps the single most important indicator when assessing performance and condition of a financial institution. Recent examples of the effect of asset quality problems such as the collapse of BCCC and the savings & loan scandal in the U.S. demonstrate that poor asset quality can undermine even the largest financial institutions. This places at risk not only shareholder equity but the savings deposits of ordinary savers. This point deserves emphasis in this evaluation of CamCCUL. The overriding mission of CamCCUL and member credit unions is to serve as a safe and reliable haven for the savings of the rural and urban small savers, who in most cases do not have access to the formal financial sector. While the provision of credit is also important to individual members, the function of savings promotion and protection is paramount. Asset quality must therefore be assessed as a function of credit policies and practices; delinquent loans amounts; and capital adequacy.

#### **2. Credit Policy**

The Credit Policy as developed by CamCCUL and adopted by member credit unions specifies that all loans to members should be equal to the amount of an individual's savings, which is pledged as collateral. Loan amounts in excess are to be further collateralized by the savings of other members. Over the years individual credit unions assumed the practice of allowing "character" loans, often several times the amount of savings collateral. This practice, coupled with recent economic decline in the country, has contributed to a serious decline in loan asset quality.

**3. Table 10. Loan Delinquency**

** ASSET QUALITY	12/90	12/91
% Current Loans	77%	74%
% Delinquent Loans	21%	25%
% 12+ Months Delinquent	10%	14%

For consolidated CamCCUL, loans delinquent more than 12 months not only comprise the largest percentage and absolute amount of the delinquent loan categories, but have also registered a 70% increase since 12/90.

**4. Table 11. Reserve Adequacy**

The implication of this substantial increase in loan delinquencies is quite serious. When compared to the equity account Provision for Proven Doubtful Accounts, these delinquent loans have an overwhelming effect:

** RESERVE ADEQUACY	12/90	12/91
Total Delinquent/Provision	900%	747%
12+ Month Delin./Provision	458%	415%
Shrinkage/Provision	444%	299%

Shrinkage refers to delinquent loan amounts that would be charged off against the Provision. For this analysis shrinkage was determined in consultation with Cameroonian bankers according to the following formula:

- Loans 2 - 6 months past due: 10% Shrinkage
- Loans 6 - 12 months past due: 25% Shrinkage
- Loans 12+ months past due: 60% Shrinkage

Total delinquent loan amounts are currently 7.5 times the amount in the Provision for Proven Doubtful Accounts; loans past due more than 12 months represent 4 times the Provision; and amounts that would normally be written off by other financial institutions would be 3 times the Provision. CamCCUL staff are aware of the magnitude and severity of this problem. The improvement noted in the Provision coverage from 12/90 to 12/91 is due in part to guidance given to field workers and supervisors in November 1991 in their preparation of the year-end audit. They were to suggest that 25% of the loan amounts more

than 12 months past due be charged against earnings and placed in the Provision. This is to be done over a four-year period to minimize the effect on annual earnings. Compliance with this guidance is unclear and for the most part the Provisions of the individual credit unions remain woefully inadequate. This will be explored in more detail in Annexes E and F, the sections dealing with the site visits made to member credit unions by the evaluation team.

**5. Table 12. Capital Adequacy**

Loan delinquencies and potential write-offs could threaten the capital foundation of CamCCUL, including the value of Member Shares. Using a format similar to the analysis of reserve adequacy, in comparison with Total Equity Capital we see:

<b>** CAPITAL ADEQUACY</b>	12/90	12/91
Total Delinquent/Capital	136%	156%
12+ Month Delin./Capital	69%	87%
Shrinkage/Capital	67%	62%

Currently total delinquent loan assets are 1.5 times the value of total consolidated capital, including Member Shares. This is somewhat misleading, however, as capital contains dedicated Reserves such as Education Fund and Building Reserve.

**6. Table 13. Asset Quality Effect on Member Savings**

Consider the effect asset quality would have on Member Savings, Deposits and Shares:

<b>** ASSET QUALITY/SHARES&amp;SAVING</b>	12/90	12/91
Total Delin./Shares & Saving	12%	14%
12+ Mo.Delin./Shares & Saving	6%	8%
Shrinkage/Shares & Saving	6%	6%

While the magnitude of bad loans when compared to Total Member Savings, Deposits and Shares is less than the Provision or Equity, it remains the fiduciary responsibility of CamCCUL and member credit unions to safeguard the savings of individual members.

## 7. Summary

The problem of loan delinquency is quite serious, with implications for the continued financial viability of the credit union movement. This issue is one that will not be resolved satisfactorily without considerable effort on the part of both CamCCUL and member credit unions. Recommendations for action are presented below.

### C. Table 14. Asset/Liability Management

The ability of financial institutions to manage the mix of assets and liabilities is a key to continued financial viability. The spread between earnings from income-generating assets and what must be paid on the liabilities that fund these assets, known as Net Interest Income, is the primary means of generating income for shareholders. For CamCCUL this asset/liability mix can be expressed as follows:

** ASSET/LIABILITY MANAGEMENT	12/90	12/91
Earning Assets/Total Assets	85.2%	87.9%
Interest Bearing Liabs/Asset	85.7%	83.9%
Asset/Liability Mix	(0.5%)	4.0%

Without attention to the interest rates earned on loans or paid on members' savings, CamCCUL's net liability position as at 12/90 clearly could not be supported for any length of time. This is especially relevant since a significant portion of earning assets are nonperforming (i.e., not generating income). Nonperforming assets include not only the FCFA 160,000,000 owed to CamCCUL by North West Cooperative Association, but a large portion of the 25% delinquent loans at the credit union level that are not earning interest and may never be repaid.

One other comment regarding balance sheet management concerns assets generated in employee credit unions that feature automatic salary contributions into member saving accounts. Because of the economic crisis several of these employers have not actually been paying these salaries; hence a Payroll Receivable is generated. These assets now comprise some 5% of total assets and should be carefully monitored by CamCCUL.

A final observation regarding overall balance sheet management centers on interbank placings in Cameroon. CamCCUL already experienced a blocked savings account with the collapse of CamBank, in which FCFA 1.5 billion was unable to be withdrawn for a considerable period of time. This situation was resolved and nearly 100% of the principal was recovered after the intervention of several influential parties including USAID. Interest payments have not yet been made to CamCCUL on this money, however, and are unlikely ever to be realized. The key point is that nonloan asset portfolio management is weak at

CamCCUL. There is currently no league-level investment policy that would include systematic review of the financial condition of other banks and assignment of risk ratings; close monitoring of CamCCUL positions with other banks; and guidelines by tenor, amount and risk/return expected on interbank placings. The CamBank experience clearly demonstrates that such well-defined policies and procedures should be established and followed.

**D. Table 15. Liquidity**

Given its mandate to safeguard members' savings and deposits, it is essential that CamCCUL and constituent credit unions maintain sufficient liquidity to meet the cash needs of its individual members. Liquidity ratios can be expressed as follows:

** LIQUIDITY	12/90	12/91
Cash/Member Deposits	205%	75%
Bank Assets/Member Savings	7%	7%
League Deposits/Total Assets	28%	34%

Liquidity overall appears adequate, and indeed the cash position at 12/90 was too high. As mentioned, the problem is how to invest these monies collected from members as savings and deposits. Individual credit unions place their excess liquidity with the league, as shown in the percent of total assets in league deposit accounts noted above. The league's responsibility to carefully invest this money calls for improved investment management techniques.

**E. Table 16. Profitability**

The ability of CamCCUL and member credit unions to generate profits is essential for the movement's continued existence. The steps already taken by the league to increase interest rates on loans is a positive development. These additional revenues will also be used to strengthen the Provision for Doubtful Accounts. As the demand for CamCCUL services increases, the movement must maintain and enhance this means of revenue generation by pricing these services realistically.

As a financial institution CamCCUL and member credit unions generate income on the spread between income received from earning assets, primarily loans and interbank placings, and interest paid on member savings. This again points to the concern with asset quality—as the amount and percentage of nonperforming assets increase Net Interest Income will necessarily decline.

<b>** PROFITABILITY</b>	12/90	12/91
Net Interest Income FCFA MM	279	377
N I I/Earning Assets	4.0%	3.9%
N I I/Operating Expenses	(124%)	(137%)

CamCCUL's profitability is well below average for a financial institution, with a return (Net Interest Income) on earning assets normally in the 8 - 12% range. This undoubtedly reflects the below-market rates charged on loans, poor portfolio management, and the problems of nonperforming assets. Without improvement in these aspects of financial management, profitability will remain low. This is especially true given the relatively high operating cost structure (operating expenses were 37% higher than Net Interest Income at 12/91).

**F. Findings**

**1. Asset Quality**

CamCCUL and its member credit unions are seriously threatened by problems of poor asset quality in its loan portfolio. Not only do these assets fail to generate income for a relatively low profit/high cost organization but realistic write-off policies would undermine the capital base of the movement.

**2. Financial Management**

Nonloan portfolio management is constrained by lack of well-defined investment policies, a need for qualified personnel, and relatively few attractive nonloan investment opportunities. This results in income opportunities forgone and questionable security of many of these assets (e.g., the CamBank deposit). This puts at risk the safety of member's savings and deposits, which is the prime mission of the credit union movement.

**G. Recommendations**

**1. Improve Asset Quality**

**a. Create a loan-collection unit**

Create a loan-collection unit at the league level with a mandate from the member unions and authority from the relevant government agencies. This unit would be empowered to investigate and pursue loan-collection activities and legal actions against the offending individuals.

b. Develop and enforce loan write-off policies

Develop, distribute, and enforce consistent and conservative loan write-off policies. The current policy of "suggesting" that individual credit unions reserve 25% of unsecured delinquent loan amounts over the next four years is a start, but clearly will not begin to address the issue of the massive bad debt overhang.

c. Ensure compliance with increased interest rates

Ensure uniform compliance with increased interest rates on loan assets. This is absolutely necessary to increase profits that will fund future league and credit union activities.

d. Negotiate large payroll receivables

Negotiate at the league level with the employers who are responsible for generating the largest payroll receivable assets. It may be advantageous to replace these receivables with consolidated loans to the employers secured by collateral.

**2. Improve Financial Management**

a. Undertake a financial audit of CamCCUL

A firm of chartered accountants, possibly a Cameroonian firm with an international reputation, should undertake a financial audit of CamCCUL. This would serve as the basis for further donor technical assistance to establish a modern computer-based financial information and control system.

b. Technical assistance to manage nonloan assets

Investigate the use of a multinational financial institution to manage the nonloan asset portfolio through treasury placings in external financial markets. This institution would guarantee offshore the integrity and security of the CamCCUL assets and provide target returns. This offshore investment would require government permission.

c. Invest in selected Cameroonian financial institutions

CamCCUL should investigate making a preferred equity participation in the two new Cameroonian institutions (C.C.E.I. and Amity Bank) specializing in lending to and management of small- and medium-sized enterprises. This would serve social and economic objectives in promoting the use of assets in a

productive manner. This investment would meet stated USAID goals of support to small and medium enterprise development; employment generation; and provision of credit for rural and urban disadvantaged.

#### **H. Chapter Endnote - Is CamCCUL a Bank?**

A major finding of this evaluation is that the growth of CamCCUL has been sufficiently large over the past ten years in terms of increase in numbers of members and unions, money saved and loaned, and overall assets of the network that a qualitative change has taken place in the institution. CamCCUL has outgrown its status as a local "Mom and Pop" activity to one with potential impact on the overall financial and other markets in Cameroon. While CamCCUL may not yet be a full bank or major player in Cameroon's financial sector, it is beginning to have the attributes of such an institution. It is therefore recommended that CamCCUL management carefully consider/reconsider its mission and that it define and refine its mandate. The league board can certainly decide to continue its function as it is—primarily a safe-haven for savings. An implication of acceptance of an enhanced role, however, would be a substantial upgrading of the professional and technical training and capabilities of CamCCUL management and staff and a more proactive approach to savings accumulation, asset management, and productive use of credit.

## VI. PEOPLE-LEVEL IMPACT OF THE PROJECT

The people-level impact of this project is demonstrated throughout this report. Without repeating the many points, this chapter will summarize the principal findings.

### A. Base-line Studies

Little base line data are available on people-level impacts of credit projects. Research carried out by John Gadway in the Bamenda region in 1986 shows that the availability of credit, or rather the opportunity to obtain loans against savings, has made a difference to people belonging to a credit union. PhD research work presently being carried out by Gertrude Schrieder confirms that there is a demand for secure savings institutions. She also found that access to credit at a reasonable interest rates has opened up more productive investment opportunities that would otherwise be forgone.

### B. Impact on Credit Union Members

The principle measurable people-level impact so far is the well over 70,000 credit union members who have benefited from access to a secure and relatively liquid means of savings and capital accumulation. During the project's life the total number of project beneficiaries increased tenfold. An estimated 2/3 of the members also make use of the opportunity to obtain loans against their savings and sometimes against those of a co-maker. This has augmented the quality of their lives such as when credit was used for health and important social purposes, and had potential long-term benefits when credit was used for educational or construction purposes.

The evaluation mission was able to visit several construction projects and small enterprises set up with credit union loans. However, little data is available as to the specific benefits of these loans from which statistically significant conclusions can be drawn.

Social benefits from access to credit are less tangible but also felt to be important. These include:

- Timely payment of school fees, which supports long-term educational development;
- Health care—both for emergency and long-term health improvement and development;
- Construction of housing, which provides jobs, as well as a sense of stability and long-term progress;
- Consumption, during periods of economic downturn.

Economic and financial benefits include:

- Establishment of small and micro enterprises;
- Trade and other commercial opportunities;
- Increased agricultural production;
- Creation of new or better paying employment.

While the evaluation team did not document impact and change, anecdotal evidence and observation leads to the conclusion that, in addition to credit union members and their families thousands of noncredit union members have benefited from the economic multiplier effect of credit union financial products and services.

### **C. Impact on Women**

An estimated 27% of credit union members are women who have benefited from credit unions in much the same way as described above. CamCCUL recognizes the importance of women and announced the creation of a Women's Desk during the evaluation team's stay in Bamenda. Several recommendations from a study conducted by the Midwest University Consortium for International Affairs (MUCIA) on this issue have been implemented by CamCCUL.

CamCCUL estimates the following statistics for women:

- Over 40% of credit union employees;
- 15% of the credit union boards;
- 16% of Credit Committee members;
- 27% of Education Committee members;
- 10% of Supervisory Committee members.

### **D. Recommendations for Future Studies**

Activities in the rural sector should begin to benefit from increased opportunities resulting from political and economic liberalization. Better information is necessary for CamCCUL to manage the project, particularly information on present and potential members.

- CamCCUL needs more baseline data about rural economic life, such as individual household economics, savings, and availability and uses of credit.

- Studies should be done on family-level impact of loans made by the credit union, particularly loans for developmental and productive purposes.
- CamCCUL should determine the need for credit by small enterprises, agroindustries, and nontraditional agriculture, for which credit unions might mobilize capital.

## VII. PROGRESS TOWARD ACHIEVING PROJECT OBJECTIVES

This project is based on ten objectives in CamCCUL's second five-year plan for the period 1985-1989. Project activities under each objective are considered below.

### A. Expand and Improve the Training Function

#### 1. Findings

An analysis of the data provided by CamCCUL's training department shows that this objective has been largely achieved. This is despite the delayed arrival of the WOCCU training expert who arrived in year three of the project and during the recent political turmoil.

The quality of the achievements of the Training Department was harder to establish. Field workers and field supervisors accompanying the evaluation team's visit gave the impression of being capable and knowledgeable about their work. They responded appropriately to questions and problems brought up during meetings with the individual credit unions.

Bookkeepers in each credit union visited also seemed to be capable and knowledgeable. Records were in general well kept and bookkeepers seemed to be familiar with credit union policies. However, sources indicated that bookkeeper training is insufficient. As a result field workers often have to assist in these tasks. This is especially evident in the small credit unions that often employ volunteer or poorly paid bookkeepers.

Board members seemed to be well informed about credit union policies and procedures. In all credit unions visited, board members asked for additional training. Training sessions were considered to contain too much information for the amount of time allotted. Most credit union leadership indicated that they would be prepared to increase their contribution toward the cost of training.

One expected change resulting from the new cooperative law is that board members will be allowed to serve only two consecutive terms. This means that greater effort will be required for the training of these board members and that different approaches to training may have to be studied.

Eleven CamCCUL staff benefited from overseas training and seminars, of which 7 were funded by USAID. See Annex R for the 1991 report of the CamCCul Training Department.

## **2. Recommendations**

- If expansion into the Francophone areas is to be successful, more attention should be paid to the development and distribution of French language training materials;
- Benefits and quality of training should be assessed;
- Determine the knowledge absorption capacity of the various training target groups and adjust training methodologies and materials if necessary;
- Assess the need to revise bookkeeper training based on existing skill and knowledge levels.

## **B. Expand and Improve the Promotion and Membership Education Function of CamCCUL**

### **1. Findings**

Membership growth during the project's life has been less than 5% per year. Layoffs in the CDC estates have contributed to members leaving their credit unions.

Credit union promotion was taken seriously by all the credit unions visited, although intensity varied. Promotional materials such as posters and brochures were available, but many of the posters were in need of replacement. No new posters were developed during Phase II of the project. Several of the pamphlets were available only in English. This was a general criticism in the Francophone credit unions visited. The effectiveness of promotional activities in the credit unions visited seemed to be questionable when viewed in the context of the tremendous number of potential members in the area of each credit union.

The promotion of credit unions by means of radio broadcasts seems to be an effective approach. This method should be employed in expansion into the Littoral and West Provinces. The most effective salesmen for the credit union movement, however, are existing membership.

Credit unions with financial problems as a result of high loan delinquency rates project a negative image in their locations. The level of activity of the members decreases and few new members join as a result.

### **2. Recommendations**

- Develop and distribute additional French language promotional material;
- Continue effective promotional activities, such as radio broadcasts;

- Exploit the lack of consumers' confidence in the formal financial sector; and
- Improve the image of credit unions by addressing loan delinquency problems.
- Intensify membership education;
- Identify nonactive members.

## **C. Enhance the Operation of CamCCUL's Central Liquidity Fund**

### **1. Findings**

The original objective of the Central Liquidity Fund (CLF) at CamCCUL was to provide short- and long-term liquidity to member credit unions. A project objective was developed that set 30% as the amount of league fixed deposits to be relent to member credit unions. Because credit unions have not experienced liquidity problems, however, this objective has not been attained. The amount relent to member credit unions was 0.53% at 12/91, and that order of magnitude is unlikely to change in the near future. Member credit unions have instead placed their excess liquidity with CamCCUL, shifting the responsibility for investment of these funds to CamCCUL. CamCCUL has experienced a series of problems in this regard; the illiquidity of CamBank blocked over FCFA 1.5 billion, and there was a similar problem with BIAO until the merger with Meridien. During the continuing banking crisis member credit unions have responded by placing even more funds with CamCCUL as an alternative to the collapsing banking system. CamCCUL also made an ill-advised loan to NWCA amounting to FCFA 530 million, of which 129 million remains outstanding. In short, the CLF has become a significant management burden for CamCCUL.

### **2. Recommendations**

In order to enhance CamCCUL's operation of the CLF, the following recommendations should be considered:

#### **a. Defined Investment Policy**

A well-defined investment policy should be established. This would include: guidelines for analyzing banks and other financial institutions with whom CamCCUL has interbank placings; establishment of a nominal risk rating system to rate these banks; limits by amount, tenor, and minimum return on placings based on risk ratings; and explicit policies and procedures for the analysis and monitoring of loans to other cooperatives.

b. Professional Management of Liquid Assets

CamCCUL should explore establishing a relationship with a multinational financial institution to manage these liquid nonloan assets in external financial markets. This multinational institution would present different investment strategies with explicit risk/return objectives. This institution would guarantee offshore the integrity of the principal invested and undertake best efforts to meet return objectives.

c. Use of Central Bank Deposit and Rediscount Facilities

As an interim step prior to offshore investments CamCCUL should lobby the government for the use of rediscount and interbank placing facilities with the Central Bank (BEAC). This would enable CamCCUL to take advantage of the relative safety and higher yield offered by these facilities. (Note: In WOCCU/Madison's comments to the draft evaluation report, it was noted that CamCCUL did try to deposit funds in the Central Bank, but was told that, instead of earning interest on their deposits, the league would have to pay a fee for storing its liquidity there. The Central Bank indicated that CamCCUL would have to buy or organize a commercial bank in order to access its services. The evaluation team understands these points. That is the reason that this recommendation calls for lobbying or negotiating with the GRC for such placing. And the evaluation team has taken up the suggestion for CamCCUL to form or participate in a commercial bank as one way to improve asset management.)

d. Development of a Computer-based Financial Control System

After an outside financial and management audit is undertaken by a chartered accountancy firm, a project of short-term technical assistance should be developed and funding sought from donors to establish a computer-based financial information and control system. This would enable CamCCUL to monitor and manage its nonloan asset portfolio more effectively .

**D. Expand the Savings and Credit Cooperative Idea into new areas of Cameroon**

**1. Findings**

Although CamCCUL accepts the proposition that nationwide expansion is part of its mandate, attempts to structure this growth into other and perhaps more promising areas are as yet half-hearted. The most promising area for expansion is Douala where CamCCUL already maintains an underutilized and understaffed office. A market survey carried out by senior CamCCUL staff clearly indicates the potential for expansion in Douala and suggests ways of implementation. For it to succeed, qualified Francophone staff must be recruited

and French promotional materials will have to be prepared. The newly appointed manager has indicated that expansion of CamCCUL, particularly into the Douala and Yaounde areas will have high priority. Expansion will, of course, require substantial investment by CamCCUL, which may be a limiting factor on an aggressive expansion effort.

Another potential growth area is the West Province, an area underserved since Peace Corps withdrew its volunteers. Presently two field workers are responsible for monitoring the credit unions that are widely dispersed throughout the region.

The number of credit unions grew from 223 to over 250 during the project. Many of these credit unions are presently dormant. See Annex P for a characterization of dormant credit unions.

## **2. Recommendations**

- A serious attempt should be made to expand into the Douala region. This is vital for the financial health of CamCCUL. The existing marketing assessment study should be used as a guideline.
- If expansion into the francophone areas is to be successful CamCCUL will have to change its image as being equally an anglo- and francophone organization.
- All vacant field worker positions should be filled, and funds permitting, more and better trained field workers should be added.

## **E. Promote and Expand the Use of Productive Credit**

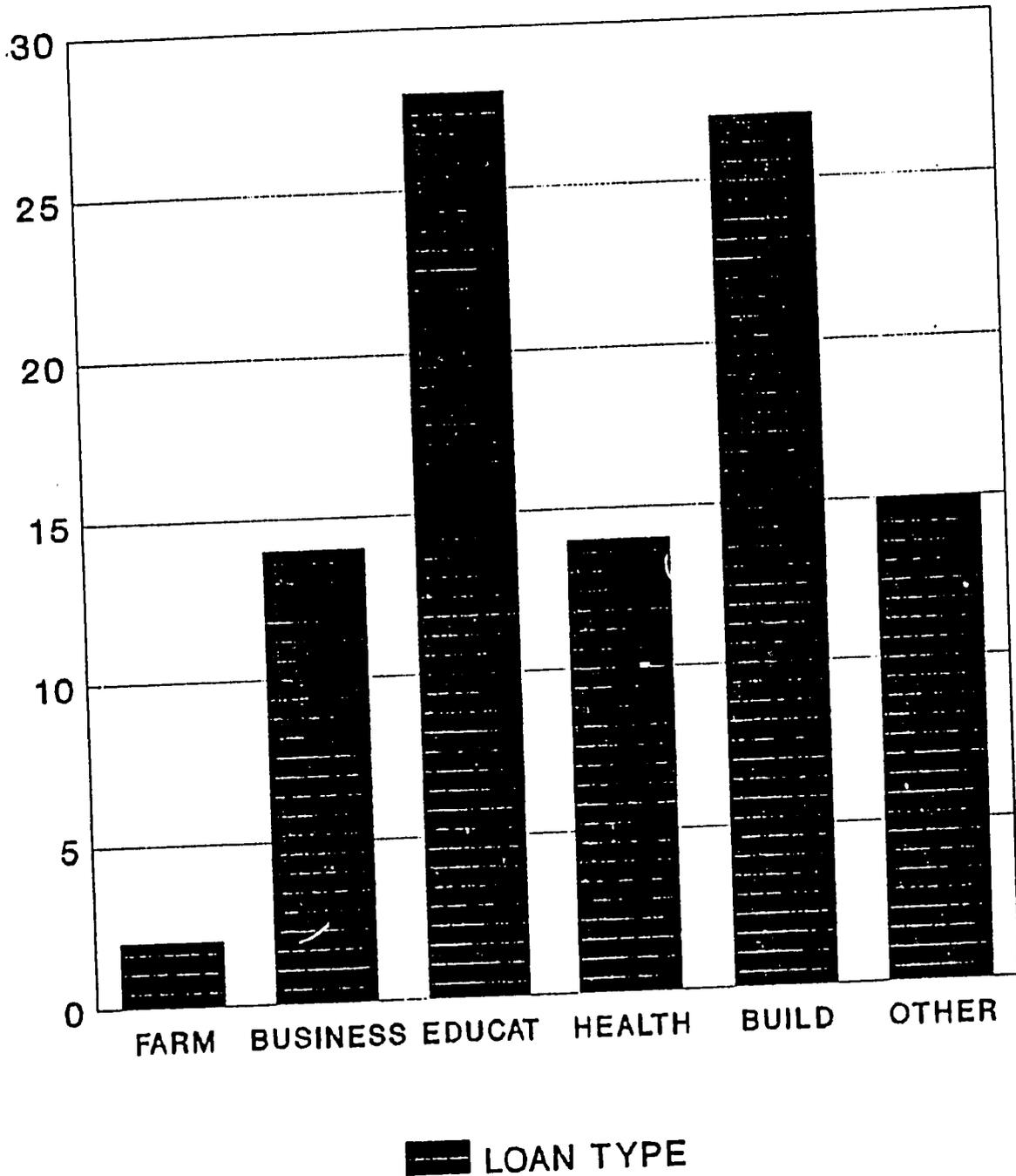
### **1. Findings**

#### **a. Productive Credit is important to development**

The Productive Credit (PC) program was developed by CamCCUL to stress the importance of credit as a member service. 39 credit unions participated in this program. CamCCUL felt that only through the productive and efficient use of credit could economic growth and development be fostered. The principal objectives of the Productive Credit program were:

- To promote the productive and constructive use of credit by members. The intent was to provide credit unions with assistance and encouragement in the promotion of sound use of credit. Where possible the Productive Credit Department

# CREDIT UNION LOAN GRANTING PERCENTAGE AMOUNT EXTENDED IN 1991



SOURCE: 1991 AUDITS

worked directly with individual members in the development of business plans and in the provision of advice on the management of their businesses

- To improve the lending function at the credit union level. This includes development of credit and collection policies and practices, loan analysis, and collateral requirements.

b. The program failed to meet expectations

CamCCUL put tremendous effort into setting up the Productive Credit program but it failed to meet expectations. The extension of Productive Credit required loan applicants to fill out a form that requested details about the purpose of the loan, financial and other "personal" data. Filling out this special form was not popular. Perhaps more important, however, was the fact that credit was available from the credit unions for productive purposes without filling out the special Productive Credit form.

c. The loan to share/savings ratio has declined

The loan to share/savings ratio has been declining from approximately 70% in 1988 to around 50% in 1992. This may result from the lack of economic opportunities and the unstable political situation.

d. More loans are for consumption

Two thirds of the loans provided are for building; education; and health; while the smaller part is for agriculture and business. However, the loans of the first category may well be used for other than stated reasons. Research work of Gertrude Schrieder, although based on a small sample, confirms that 1/3 of credit is used for productive purposes.

e. Productive loans are not always productive

There is no data to demonstrate that the credit unions benefiting from the Productive Credit program had a higher degree of productive loans than the non-Productive Credit ones.

## 2. Recommendations

End the Productive Credit program in its present form and use the experience gained to set up a broader-based Credit Advisory Service. The possibility of cooperating with the agricultural extension services and other donors should be studied. Contacts with

the Centre de Création des Entreprises de Yaoundé (CCEY), a Canadian-financed small enterprise development agency, should be made. CCEY is considering setting up an office in Bafoussam.

## **F. Improve the Quality of Supervision**

### **1. Findings**

#### Definition of supervision

Supervision is discussed in the five-year plan in terms of credit union product outputs, i.e., reduced loan delinquency; use of the central liquidity facility; improved dues collection by CamCCUL; and success of training and education programs.

The project paper broadens the discussion of supervision to suggest that it must also ensure that credit unions are functioning properly. To achieve this, CamCCUL employs field workers to visit credit unions and offers technical assistance to them at least once a month. Existing and new CamCCUL staff are trained to more effectively offer the needed technical assistance. The Project Paper suggested the following outputs would be achieved as a result of improved supervision:

- Loan delinquency will be reduced to 8% by EOPS.
- 99% of dues will be collected from CamCCUL affiliates.
- Bookkeeping errors will be minimized.
- Cash shortages will be reduced.

The project logframe refers only to the first two outputs indicators, i.e., loan delinquencies and dues collection. This implies that these should be the primary criteria for this evaluation to determine whether supervision has been effective. The title of this objective in the Project Paper adds the words "audits and control" to the objective. This broadens further the definition of supervision. And USAID/Yaoundé, in updating the evaluation team's scope of work, added monitoring, reporting, and evaluation to this objective.

An important finding is that CamCCUL project management, WOCCU, and USAID have not clearly defined the supervision function and an appropriate level of resources. As a result, credit unions are uncertain of the supervision they are to receive from CamCCUL or what assistance to request from field workers.

Focusing on supervision as a management process instead of as an output indicator is instructive. Examples of these management processes include:

- Role of field workers.
- Audit and inspections.
- Monitoring, reporting, and evaluation.

Each is considered below.

a. Role of the field workers

Field workers are the front line between CamCCUL and the member credit unions. With poor communication and transportation between CamCCUL headquarters in Bamenda and rural credit unions, continual supervision by field workers is the essential activity that keeps the credit union movement functioning as a mutually supportive network.

The official duties of the field worker are summarized as follows:

Position Description of a Field Worker

**CORE FUNCTION:** Supervision and auditing of credit unions and providing league services at the local level.

- DUTIES:**
- Review CU monthly financial statements and other management reports
  - Ensure that such reports reach the league office by the 10th of the month;
  - Assist CU staff in the effective operation of the CU;
  - Make sure that each CU adheres to current coop law
  - Investigate complaints
  - Report findings to the league manager, the supervisory ministry, and the CU board of directors;
  - Attend CU board meetings and present inspection and control reports to the board;
  - Advise the board on management issues such as budgets, financial reports, and loan delinquencies,
  - Assist Cus to prepare annual reports, and audit these accounts at the end of the year;
  - Organize and carry out training of CU officials and members;
  - Help organize and attend CU Annual General Meetings;

- Organize and participate in CU public meetings;
- Consolidate and amalgamate small CUs when necessary;

AUTHORITY OVER:       The field worker has no direct authority over anyone.  
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While field workers may be the heroes of the credit union movement in Cameroon, their dedication and enthusiasm can be jeopardized by their heavy workload, insufficient supervision from CamCCUL headquarters, and potentially conflicting roles. Field workers may also be uncertain as to their own role. See Annex J for an example of the annual work plan for a field worker.

b.       Audit and inspection

A principal responsibility of the field worker is to carry out the annual audit of the credit union. Because of the potential for conflict in roles of the field worker, CamCCUL decided that field workers would not audit the credit union they supervised. While this is a positive step, field workers are sometimes called "inspectors" or "auditors" and sometimes "trainers," indicating that a conflict in understanding their role lingers.

Some audit findings are minor, some technical, and some may involve fraud. After the audit is completed it is uncertain as to whom the audit report is issued, who is responsible for taking action on the audits, and what recourse is open to management if no actions are taken.

Typical examples of errors found in annual accounts include:

- No. Men + No. Women + No. Groups  $\neq$  Total Membership
- Sum of individual income accounts  $\neq$  Total Income
- Sum of individual expense accounts  $\neq$  Total Expense
- Sum of individual assets accounts  $\neq$  Total Assets
- Total Liabilities + Capital  $\neq$  Total Assets
- Sum of individual items in delinquency schedule  $\neq$  Total shown at foot of delinquency schedule
- Annual surplus in Income Statement  $\neq$  surplus shown in Balance sheet

- Sum of number of loans granted by purpose category  $\neq$  stated total number of loans granted
- Credit union accruing interest on loans to members in contravention of the uniform accounting system
- Accumulated depreciation on fixed assets shown as capital reserve in violation of uniform account system
- Current loans (number and amount) not shown in delinquent loan schedule (uniformly omitted in Francophone CUs)

c. Monitoring and reporting

At the CamCCUL and credit union level:

- Credit unions prepare monthly financial statements that are sent to CamCCUL;
- Field workers visit credit union once a month on supervisory, training, or education missions;
- CamCCUL field workers audit credit unions once a year;
- Credit unions and the league have supervisory committees that act as internal auditors;
- Information from monthly financial reports and annual audits are included in CamCCUL's database;
- Credit unions and the league have annual general meetings to review reports, audits, and to make decisions;

At the Project level:

- WOCCU provides quarterly and annual reports to USAID/Yaounde;
- WOCCU prepares ad hoc and special project reports to USAID/Yaounde as requested.
- Financial reports on expenditure of funds are made from WOCCU/Madison to USAID/Yaoundé.

Necessary and appropriate reporting and monitoring systems are generally in place. The remaining management issue is how to best utilize the information generated.

e. Logframe indicators

With regard to the logframe indicators the team finds:

Indicator	Proposal Target	As of 12/31/91
Average loan delinquency	8%	26%
Percent of dues collected	99%	83%

2. Recommendations

- a. It is recommended that an operations and management specialist review these internal systems, focusing on the role and performance of the field worker.
- b. The team recommends that additional field workers be recruited in order to give greater management attention to credit unions, particularly smaller ones in rural areas.

G. Improve the CamCCUL Planning Function

1. Findings

An important project objective was to assist in the development of a third five-year plan for CamCCUL, and to strengthen the planning process both at the league and member credit union level. This will not have been achieved by the end of project. The activities already undertaken to achieve this objective will be detailed after a brief discussion of the overall planning process at CamCCUL.

The overall planning process is tied to twice-yearly training sessions of league staff, field workers, supervisors, and staff of member credit unions. A starting point is the November training seminars in which issues, trends, concerns, etc. noted during the year's field work are brought to the attention of CamCCUL management. From these concerns and observations guidance for the year-end annual audit is given. The results of these audits are reviewed for compliance with the guidance given as well as identification of other issues during the audit review in April-May. At the Training of Trainers session in May the agenda is developed for the training seminar held at the other yearly meeting in June. At the June meeting progress is assessed in meeting the goals and objectives set forth in training,

manpower, and field worker plans. These are discussed and adjusted as appropriate, and guide further fieldwork until the November meeting, at which time the cycle is repeated.

In March 1990 a Task Force made up of CamCCUL staff, the league manager, and WOCCU project staff began development of the third five-year plan. This effort was discussed at the June training seminar, and in follow-up sessions with the league board. It was decided to wait and build on the results of the final evaluation. Also during this period there was the disruption caused by the Ghost Town movement and the selection of a new league manager. Because of these factors, progress in development of the third five-year plan was delayed.

In general the league planning process is taken quite seriously by most participants, and appears to be an effective means of communication and feedback among the league field workers and member credit unions.

## 2. Recommendations

CamCCUL should make as a priority activity the development of the third five-year plan, with consideration of recommendations made in the evaluations done by WOCCU and USAID. Project funds remaining after the departure of the WOCCU staff could be used to support this important undertaking.

Topics to be addressed in the third five-year plan should include:

- Redefinition of CamCCUL's prime objectives and mandate with respect to:
  - Savings mobilization and safety
  - Membership growth and geographic expansion
  - Extension of loans for productive activities.
- Redefinition of the role and relations between CamCCUL and member credit unions
  - Asset quality
  - General financial management
  - Risk management program
  - Manpower and internal human resource development plan

## H. Expand the Risk Management Program

### 1. Findings

#### a. Definition

The Risk Management Program (RMP) is an insurance scheme run by the league in which participating member credit unions contribute insurance premiums in order to protect individual member savings and loans in the event of their death or disability.

#### b. Logframe indicators

Several end-of-project objectives concern the RMP as follows:

Objective	E O P S	5/92	% E O P S
No. CUs in RMP	125	117	94%
Value Loans (B FCFA)	14.4	8.3	58%
Value Savings (B FCFA)	17.6	9.1	52%

#### c. End-of-project-status

The RMP has largely achieved its EOPS objectives.

The RMP is a well-regarded service of both CamCCUL and member credit unions, but significant issues exist that could have extremely negative implications for CamCCUL. First, the number and amount of claims received and paid have increased 38% since 1988. As claims are paid directly out of insurance premiums and not as a result of reinsurance, it is possible that claims could exceed premium revenues, placing CamCCUL in legal and financial risk. The majority of credit union membership is aging because of problems attracting younger savers, and a natural disaster or a major outbreak of a communicable disease such as AIDS could result in a sharp increase in claims that would have to be met out of league resources.

## **2. Recommendations**

### **a. Actuarial Study and Reinsurance**

An actuarial study should be undertaken to determine the adequacy of the premium rate charged participants. Based upon this data reinsurance should be obtained from a reputable reinsurance specialist.

### **b. Establish a Separate Legal Entity for the RMP**

A separate legal entity should be created to administer all aspects of the RMP. This would mitigate the financial and legal liabilities for CamCCUL that exist under the current system.

## **I. Decentralize CamCCUL'S operations to provide more concentration and control**

### **1. Findings**

#### **a. Definition**

In its Second Five-Year plan CamCCUL indicated it would review its ability to effectively and efficiently serve credit unions and increase representation by setting up a regional and chapter structure. The project proposal supported this objective through establishment and provision of necessary equipment to three regional offices. Two more offices were to be rented in provinces where the credit movement was to expand. The project logframe indicates that six regional offices should be functioning by the end of the project; an apparent discrepancy between the project paper proposal and the logframe.

#### **b. Logframe indicators**

The three planned regional offices were established during the project in Douala, Kumba, and Mutengene. Two field worker supervisors have been hired to cover these three regional offices. The main functions of the regional offices are supervision of field workers, provision of office space for field workers to prepare reports, and a site to collect and keep data, information, forms and supplies.

The other regional offices have not yet been established. The new league manager was previously one of the two field supervisors and is particularly sensitive to the needs of the field workers. He noted that while their responsibility and geographic coverage is vast, they have had insufficient

guidance and support. One of his priorities is the assignment of additional field supervisors with an appropriate level of authority.

## **2. Recommendations**

The evaluation team recommends continued support for decentralization. In the short run the league will have budgetary constraints that may hinder its ability to hire additional supervisors or establish additional regional offices. Nevertheless, decentralization must be part of the new manager's plan.

### **J. Provide Credit Unions with Shared Management Services**

#### **1. Findings**

##### **a. Definition**

This objective relates to the development of a pilot program involving the selection and training of bookkeepers/managers and the introduction of a revolving fund to partially subsidize their salaries. The development of common information facilities for individual credit unions and a follow-up study of data processing needs conducted in 1984 were also to be addressed. Eight service centers were to have been field tested.

##### **b. Logframe indicators**

Indicators for measuring progress were not included in the project logframe. Bookkeepers and managers were trained and work has begun on a computer based management information system. No action was taken by the league to provide salary subsidies for bookkeepers/managers, although the need for this type of assistance was noted during the evaluation. Other service objectives provided by the league such as: training and education; the Risk Management Program; promotional and other materials; standard credit policies; and supervision by field workers should be completed.

#### **2. Recommendations**

It is important for the league to continue to provide shared services to individual credit unions. This objective should be maintained in the third five-year plan.

## VIII. LESSONS LEARNED

The purpose of this chapter is to provide insight on aspects of project implementation that have implications beyond the project itself.

### **A. Different Procurement Mechanisms Require Different Management Approaches**

One important lesson is that different AID procurement mechanisms require different types of management, supervision, and reporting. USAID staff must understand the project management implications of different types of procurement mechanisms. Certain mechanisms such as a direct AID contract require close supervision by USAID staff, including approval of work plans, monitoring implementation progress, and review of expenditures. Other mechanisms such as grants and cooperative agreements require less supervision. Grant and cooperative agreements imply that USAID is buying into and supporting the activities of another institution rather than having that institution carry out a specific AID program. Since the grant mechanism is used less frequently than contracts, it is important for USAID and the grantee to establish monitoring, reporting, and other cooperative arrangements early in the relationship, and that USAID and the grantee understand what is expected from each.

### **B. Certain Outputs Require Qualitative As Well As Quantitative Criteria for Measurement**

An important lesson learned is the need for refinement of those outputs involving human resource development and attitudinal change, especially training and to a lesser extent promotion activities. Instead of concentrating solely on the "quantitative" aspect of these activities more work should be done to assess the "qualitative" impact of these activities. Although quality is more difficult to assess, this approach would yield a better measure of these outputs' effectiveness.