

PN. ARP-801
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DIAGNOSTIC ASSESSMENT OF
LA FINANCIERE CAMEROON
JUNE 26 - JULY 6, 1991

AFRICA VENTURE CAPITAL PROJECT (AVCP)
U.S. Agency for International Development (AFR/ONI/PSD)

CONTRACT NO. APR-0438-Z-00-0006-00

(Task Order No. 16)

7.0. ?

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January 22, 1992

02/28/91
Annex 6 P&L from 01/01/88 through 04/09/91. An interesting detail in this exhibit is the table showing: having paid in full, 18% of the members/shareholders; having paid two-thirds or more, 30%; having paid about half, about 50% of the members; having paid less than a third about 30% of the member.

05/01/91
Annex 7 Annual Report. LFC was founded in May, 1988 as a cooperative, under the Ministry of Agriculture with a capital of CFA 150M, of which paid- in CFA 35MM; with 73 members. The annual report includes details on investment proposals received, investments approved (portfolio); and detail sheets on each investment approved.

06/30/91
Annex 8 P&L from 01/01/88 to 06/30/91.

06/30/91
Annex 9 Balance sheet as of 06/30/91, and pro forma balance sheet as of 02/28/92.

06/30/91
Annex 10 Pro forma P&L for the period ending 02/28/92.

06/30/91
Annex 11 Revenue and expense budget for the period from 07/01/91 through February 28th, 1992.

06/30/91
Annex 12 Status by member/shareholder accounts, showing amount subscribed, amount paid, and amount past-due.

06/30/91
Annex 13 Project for increasing membership from present 70 to 140 by monthly target/quotas.

06/30/91
Annex 14 Investment proposal for NECTARIA, fruit juice and concentrate plant. APPROVED. In my opinion, meets generally accepted US small business investment standards.

06/30/91
Annex 15 Investment proposal for LA VIVRIERE, foodstuffs distribution business. DISAPPROVED. In my opinion, this project failed to meet generally accepted standards for US small business investments.

06/30/91
Annex 16 Response to materials on venture capital received from Harvey and Company.

Diagnostic Assessment
La Financiere Cameroon
Cameroon, June 26th - July 6th, 1991

I. ORIENTATION

Upon arrival at Douala, the consultant met with Amin Pakzad, Economist Private Sector Office, U.S.A.I.D. Cameroon to review the assignment: (1) provide technical assistance to La Financiere Cameroon (LFC) in venture capital, and (2) evaluate LFC as a venture capital partner for, inter alia, U.S.A.I.D. Cameroon.

June 27th, the consultant met with Pakzad, as well as with Protais Ayangma, Chairman, and Paul Mouen Njoh, Manager of LFC, to lay out a work program. The rest of this report is in the first person with "I" being Gordon Bradford. This report was prepared August 15, 1991 in draft form. Following review by U.S.A.I.D. Cameroon and discussions with Amin Pakzad in Washington on January 9, 1992, this final report was prepared.

II. METHODOLOGY

I met every morning with the LFC people, requested materials from them, reviewed the materials, met again in the afternoon to discuss the materials, and then requested any necessary modifications for the following day.

These materials are identified by Annex number and form a part of this report. The above exhibits were produced on relatively short notice, and met usual accounting standards.

III. FINDINGS

A. Management:

I met with the full board, and I was impressed with the cross-tribal and cross-cultural make-up. There were two Muslims from the North, one English-speaker from the West, and two women, among its members. In view of the inherited bureaucratic attitudes from the French, it was refreshing to find educated business people with an entrepreneurial attitude, including business-women owning and operating their own businesses, not all that common in Africa, other than market women.

I received the visit of the LFC accountant, Theodore Njiki Tschock, member of the Association of CPAs of Cameroon, and found him capable and professional. Both chairman Ayangma-Amang and Manager Mouen Njoh appear to have a good grasp of accounting and business practices, derived from the French, and are good communicators. Mouen Njoh in particular has good command of English, as do many business people in Cameroon.

B. Structure:

The status as a cooperative is not a handicap, and may even be an asset, since the personnel of the Department of Cooperatives and Mutual Societies at the Ministry of Agriculture have only a vague idea of the activities of a venture capital company, while supervision from the Ministry of Finance and the Central Bank might well be more rigorous.

The organization structure is simple and flexible. The member/shareholders elect a 12 man board of directors, who serve without pay. There is a supervision committee, responsible for monitoring the management and reporting to the board, and there is a project committee, which in turns forms ad-hoc sub-committees to study specific investments. Finally, there is the Manager, responsible for day to day operations.

C. Funding:

The past-due subscription accounts are well-controlled, and Amang was frank in stating that he had not been pushing the past due members/shareholders in view of the unsettled political climate, and the resulting economic difficulties. The LFC people seemed confident that all subscriptions of existing members, and those of the proposed new members could be up to date by the end of February, 1992.

The management has been aggressive in the meantime in finding alternative funding, and is almost self-supportive from (1) fees for seminars, and (2) fees for investment studies. Overhead is being kept to a minimum, being restricted to the manager and a secretary with desk space at an affiliated advertising agency.

D. Investments:

LFC has analyzed and approved investment projects totalling CFA 30,000, or about \$100,000. So far, only investments in ABC, an advertising and business services company, and EdiPrint, a job printing shop, have actually been made.

Those approved include: Medical, surgical and medical supplies; La Vivandiere, a wholesale meat packing plant, Africontrol, an automobile body construction and engine repair company; and Nectaria, a fruit juice and concentrate plant. All of these investment projects are far enough along so that they may be completed by February 28, 1992.

E. Governance and Business Environment:

Despite many protestations to the contrary, the Government of Cameroon has not done anything effective in the area of promoting small business. While in other African countries the promotion of small and medium sized businesses is done at the Ministerial level, in Cameroon it is merely a section of the Ministry of Industry, and its results to date have been, as noted, minimal. There is little risk therefore of a duplication of effort.

There are capable accountants in Cameroon, including correspondents of all of the Big Five. There are plenty of lawyers. There is no stock exchange, and no stock or business brokers. Banking is dominated by the Cameroonian affiliates of Big Three French banks, which only lend for short term trade transactions, and then only to companies engaged in international trade, usually with France.

The remaining small fraction of the banking market is divided among Meridien International Bank Limited now merging two units, ex-Chase and ex-BIAO; Standard Chartered which bought the Bank of Boston affiliate; and a small African-owned bank, International Bank of Africa, the successor to the Bank of America affiliate. Other small players are CCEI, identified with the Bamileke community, and Credit Agricole established by the German DEG. None of these is likely to make a serious effort in the venture capital area, except possibly CCEI which may regard it as a valuable adjunct to its commercial lending.

The private sector business community in Cameroon is dominated by French companies. What indigenous African business people there are suffer from lack of access to both equity and credit. Efforts of the Cameroon Government to date have been ineffective.

Additionally, as a result of French inheritance, there is a built-in prejudice against the private sector as opposed to government as a source of jobs and capital. This is no longer the case in France itself, but in many ways the attitudes in Francophone Africa are frozen in time at the

year of independence, 1960, when the private sector in France was dwarfed by the public sector.

These attitudes will change in Francophone Africa, including the Cameroon, and will be materially affected by the introduction of American business technicians and know-how. As a Cameroonian said, referring to the bi-lingual character of his country, "At independence, we hoped to get British Government, and French culture, instead of which we got French Government, and British culture. Now what we really need is American know-how, and forget the rest of it."

IV. CONCLUSIONS

- Now may be an appropriate time to lay the ground work for a Cameroon Venture Capital Fund. With an initial portfolio of \$100,000 in February 1992, scheduled to grow to \$500,000 by December 31, 1992 and possibly with participation from A.I.D., CIDA, DEG, CCCE. The objective would be to have a viable venture capital fund plan when the Cameroon economy is in recovery.
- LFC appears to be an acceptable candidate for managing a Cameroon Venture Capital Fund, with a competent board and an able manager.
- Douala has potential as a meaningful financial/commercial center, less than Abidjan but more than Dakar.
- Cameroon is potentially a prosperous, nutrient self-sufficient country, with good export potential. Nobody starves.
- No VCF alternatives exist, either public or private, and hence no duplication of effort.
- Douala is the only financial center in the Central African CFA six-country area, and the only one between Lagos and Kinshasa.
- The present political and resulting economic problems do not alter the basic strengths of Cameroon, but may even make this an advantageous period in which to do VC planning.

V. ACTION PLAN

Based on a conference call between Amin, Brian Ames and myself, I recommend the following action plan to move IFC toward a full Venture Capital Fund.

- LFC to write a monthly activities letter to USAID/Cameroon.
- LFC to double membership from 70 to 140 by 02/28/92.
- LFC to collect all past due subscriptions from current members, and all subscriptions from new members by 02/28/92.
- LFC to complete investment process on CFA 30,000 (\$100,000) by 02/28/92.
- USAID/Cameroon to explore possibility of providing modest (\$30,000) operational support to assist LFC from 01/01/92 through 09/01/92, i.e. monthly expenses of about \$4,000.
- USAID/Cameroon to review progress on 1-4 above in January 1992, and if favorably impressed contemplate participation with LFC in a Cameroon Venture Capital Fund in July, 1992, after receipt of the 02/28/92 financial exhibits.

Amin and I then met with the President and Manager of LFC, after the above conversation, and communicated points 1-4 but not 5-6 to which LFC agreed. We subsequently met with the full board, and I left for the airport.

VI. RECOMMENDATIONS TO U.S.A.I.D. CAMEROON

- Adoption of the Action Plan.
- Protais Ayangma Amang to come to the U.S. for exposure to the venture capital community.
- Paul Mouen Njoh to come to the U.S. for training in venture capital fund management.
- Follow-up visit by Harvey & Company representative.

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