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A CASE STUDY  
OF  
The Cameroon Cooperative Credit Union League  
(CAMCCUL)

PARTICIPATION IN A  
SMALL FARMER PRODUCTION CREDIT PROGRAM

By

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The views and opinions stated in this paper are those of the author and do not necessarily represent the official positions of USAID/Cameroon, CAMCCUL or the World Council of Credit Unions.

## I. INTRODUCTION

The Cameroon Cooperative Credit Union League Ltd. (CamCCUL) was first inaugurated in 1968 as an "umbrella" organization for the then struggling credit union movement. At that time Cameroonian credit union leaders recognized the need for an organization which would provide services to, as well as coordinate the activities of, the credit unions operating in the country. It was felt that only joint efforts on the part of these credit unions would allow them to reach their lending/savings potential/target population in an adequate manner. The fact that these services/organizational efforts have been effectively rendered is evidenced by the phenomenal growth of both the League and the credit union movement since the League's inauguration date.

In 1968, the founding members of CamCCUL numbered 34 credit unions. Today, 17 years later, there are 225 credit unions and pre (not-yet- registered) cooperatives affiliated with the League. Over this same period, the number of credit union members has grown from 4,000 to over 50,000 and member savings in these unions have grown from 16 million FCFA to over five billion FCFA (i.e., from 34 thousand to over 10 million U.S. dollars when measured at the present exchange rate of 475 FCFA/\$ U.S.). As a result of this increased participation, loans to members have also increased at a startling rate - from 10 million FCFA in 1967 to 3 1/2 billion FCFA in 1984.

CamCCUL has not attained this level of success without assistance from outside agencies. To date, CamCCUL has received assistance from: (1) the Cameroonian Government; (2) the U.S. Agency for International Development (USAID); (3) the Konrad Adenaur Foundation (K.A.F); (4) the Cooperative Development Foundation (C.D.C); (5) the U.S. Peace Corps; (6) The Organization of Netherlands Volunteers (O.N.V); (7) the Credit Union National Association (C.U.N.A); and (8) the Rabobank Foundation of the Netherlands. Other organizations which have provided assistance include the Worldwide Credit Union Organization, the World Council of Credit Unions (WOCCU) and the Africa Cooperative Savings and Credit Association (of which CamCCUL is a foundation member). This paper concerns itself with the latest in these assistance efforts -- the Small Farmer Production Credit Program (SFPC).

## II. THE SMALL FARMER PRODUCTION CREDIT PROGRAM -- PHASE 1

Plans for the Small Farmer Production Credit Program were first initiated in 1974 with the completion of a feasibility study, funded by USAID, which outlined an implementation strategy for the project. The initial phase of the project, which officially began with the assignment of a CUNA technician to Cameroon in 1975 and was scheduled for completion in 1979, had the following goals:

1. To assist CamCCUL to achieve financial and technical self-sufficiency.

2. To increase the capital resources of farmer members of SFPC credit unions thus resulting in increased agricultural productivity and income;
3. To increase the level of technical assistance provided by the Cameroonian Ministry of Agriculture to small farmer participants in the project; and
4. To develop member-owned rural credit unions which had the ability to: (a) provide agricultural production credit; (b) assist with the marketing of crops; (c) obtain agricultural supplies for members; and (d) disseminate information related to agricultural and animal husbandry innovations.

At the conclusion of the Phase 1 portion of the project, the results were "mixed". For example, although CamCCUL had not achieved financial self-sufficiency, it had achieved technical viability. Similarly, CamCCUL's ability to provide capital resources in the form of loans to affiliated credit unions had also increased while at the same time the Ministry of Agriculture appeared to suffer from a lack of adequately trained personnel and thus provided little if any extension support to program participants. Finally, although participating credit unions had achieved the ability to deliver agricultural credit, neither CamCCUL nor individual credit unions had developed the expertise or resources to become directly involved in marketing or efficiently supplying services.

### III. THE SMALL FARMER PRODUCTION CREDIT PROGRAM - PHASE 2

As a result of the experience gained during the Phase I portion of SFPC, the activities under the Phase 2 portion of this project, initiated in 1980, were curtailed and redirected. Although assisting Cameroon's national and regional credit union structures to become financially self sufficient and technically able to provide essential services to affiliates was still a goal of the project, major emphasis was now placed on the production lending phase of the program. Marketing support was dropped from the project entirely, and the provision of agricultural supplies was sharply curtailed. In addition, plans were made to "beef-up" cooperation with Cameroonian government institutes and other projects in an effort to provide the necessary technical assistance to the small farmer participants in the project.

#### Goals Under the Phase 2 SFPC

Since SFPC was regarded as a pilot program by the CamCCUL Board of directors decided on a phased expansion approach. The primary goal of the project was to establish 28 SFPC Credit Unions by 1985. This approach was followed and this goal has been attained (see Table 1). In addition, several other goals were established for attainment by 1985. These goals as well as the level of attainment reached through 1984 are as follows (see Table 1 for actual levels of attainment by year):

1. Number of members - 6,000 (attained - 10,899 members in 1984);
2. Number of SFPC borrowers (cumulative) - 900 (not yet attained - 710 borrowers in 1984 - 1090 projected for 1985).

3. Average SFPC loan size - 90,000 (attained - 104,000 FCFA average in 1983).
4. Total value of SFPC loans distributed (cumulative - FCFA) - 82 million (not yet attained - 75.6 million FCFA loans projected for 1985);
5. Number of League loans to SFPC C.U.'s (cumulative - 25 (not attained - 17 loans projected for 1985);
6. Average value of League loans (FCFA 1,000) - 1,150 (attained - 1,360 FCFA average in 1983);
7. Total value of League loans to SFPC C.U.'s (cumulative - FCFA) - 82.3 million (not yet attained - 22.3 million projected for 1985).

As can be seen from this summary, the SFPC project has met half of its credit goals to date, and in two of the remaining four areas -- number of SFPC borrowers and total value of SFPC agricultural loans distributed -- it is projected that the project will meet or nearly meet its goals by the end of 1985. Only in the areas of loans dispersed/value of loans dispersed from the League to SFPC C.U.'s will the project's goals not be met. This has occurred because the level of savings by SFPC C.U. members has been much higher than was projected at the outset of the Phase 2 portion of the project. Thus, the member SFPC C.U.'s have not had to rely on League loans to make their agricultural loans over the last four years.

### Training

CamCCUL has placed great emphasis on the training of Credit Union President, secretaries, credit committees and field staff. This training has been especially critical for field workers requiring knowledge on how to determine the financial feasibility of farm loans. Over the last five years over 100 seminars have been held for purpose of training thousands of credit union officials and bookkeepers. In support of these activities many types of training materials have been produced including slide-tape presentations, newsletters, posters and training manuals. In some instances members of the League staff were trained at the higher education level.

Table 2 summarizes only a small portion of the training activities under the Project since 1981. Seminars on Small Farmer Production Credit Training workshop were held for credit committee members, presidents and bookkeepers of the SFPC Credit Unions (Number 1 in Table 2). Topics covered at the five day sessions included: SFPC Loan Policy and Procedures, Farm management, Principles for judging production limits and repayment schedule, the production loan application interview, credit union goal setting exercises, completing farm investment plans, interest calculation under line of credit, and central funding.

In addition to the above intensive training, all of the Presidents (225) of CamCCUL's Credit Unions were briefed on the Program.

### Cooperation Initiated with Cameroonian Government Institutes and Other Projects

The project has also progressed well in its efforts to initiate cooperation with Cameroonian Government institutes and other projects. An effective food crop research effort was established plus the Research Institute fielded a Testing and Liaison Unit which promoted farming systems methodology to reach extension agents and farmers. This effort was supported by USAID's National Cereals Research and Extension Project. In addition, an improved field extension service is being developed at the project area. The field extension staff involved in this effort received training on improved maize production from the Testing and Liaison Unit of the Research Institute and the Extension Field Service was strengthened by the "Mission de developpement du Nord Ouest" (MIDENO) Project which was EEC funded. The Livestock Research Institute was also active in the project area, and limited numbers of improved breeds of cattle, pigs and poultry were made available to farmers with recommendations for improved production. This effort was supported by USAID's Small Farmer Livestock and Poultry project.

The Credit Advisor was able to coordinate his SFPC effort with the research technology and the Extension Field Service to meet his need for improved technical packages. This package promises increased production when combined with required credit for off-farm inputs such as seeds, fertilizer and insecticides.

### Other Activities

In addition to the aforementioned activities, the Project has been active in many other areas. To mention only a few, non-viable credit unions were consolidated through liquidation and merger, and a personnel system was drafted and ready for implementation. Exchanges also took place between CamCCUL and the "Union des Caisses Populaires de Yaounde" (U.C.P.Y.) to aid in the development of national and regional structures. Also, a plan was developed to assist credit unions which individually do not require or cannot obtain qualified bookkeepers. Finally, the League offices were moved to comfortable, convenient new CamCCUL owned premises.

### Summary of Achievements

In summary, the SFPC Program has achieved the following results after three years of operation:

1. The SFPC Program established in 28 Credit Unions,
2. Nearly 11,000 Credit Union members have been enrolled under the Program,
3. Loans were made to 710 farmers,
4. The average value of a loan was better than 108,000 FCFA (\$230 U.S.),
5. Nearly 200 C.U. officials have been/will be trained in SFPC procedures,
6. Sixty-three C.U. officials trained in SFPC at seminars,
7. Introduced (or will introduce) nearly 2,000 Credit Union officers to the SFPC Program.

### Plan for future Development

This year CamCCUL will review the progress made to date and develop expansion plans. A consultant is presently undertaking a production credit development study to determine the feasibility of extending the program to all four provinces in which CamCCUL is now active. The consultant is expected to look at other possible production loan opportunities including agric-business, rental housing, small manufacturing and service enterprises. This report will be reviewed by CamCUUL staff and the Board of Directors to serve as a guide for future expansion.

### Lessons Learned

#### 1. A SFPC Program can be Added

A Small Farmer Production Credit Program can be added to an existing credit organization. Some of the advantages the organization now has are:

- Offices in place
- Presidents, secretaries, credit committees functioning
- Procedures to prevent losses are already operating
- Much of the organizational knowledge and experience with other credit operation are applicable to SFPC.
- A study of the performance of the SFPC credit union and the non-SFPC credit unions indicates that the SFPC credit unions outperformed the other unions in increasing rates of savings and the granting of loans (see Table 3).

#### 2. Credit only one element of Development:

Credit is only one element of development, however. Without the development of a research and extension base it is doubtful if the credit alone would have been successful. Credit without markets will not work. In SFPC program emphasis tended to shift from livestock to maize and vegetable production loans where better markets were available.

#### 3. Cooperation is Essential:

Credit agencies should work closely with research, extension, marketing and other development agencies if they are going to direct their loans into enterprises that will be successful and profitable.

#### 4. Training Essential:

Training leaders and staff are a key step in establishing a small farmer credit operation. Training also performs a management role in that it sets policies and procedures to be followed by field visits.

5. Manuals and Other Training Publications necessary:

The preparation of clearly stated manuals and forms that can be understood by the field worker, C.U. officers and farmers is a key step.

6. Local Involvement Essential:

The local credit unions loaned their funds and their savings on SFPC loans approved by their regular credit committees. This resulted in keeping the delinquency rate low between 5 - 10%. In fact the SFPC union had a lower delinquency rate than did the regular credit unions in the league. The default rate is near zero as all loans are co-signed and only in case of extremely bad management in the C.U. is there a default.

7. Technical Assistance Should be Advisory:

The technical assistance provided to a SFPC project should consist of advising local people and organizations on how to organize for small farmer credit, evaluate loans and implement their programs. Technical advisors should never be in a managerial role with small farmer credit projects.

8. Credit Needs Not be Subsidized:

The Cameroon SFPC project made the loans through savings already accumulated with the selected credit unions. In some cases the league (CAMCCUL) made loans to credit unions which were reloaned to farmers. However, no government or donor funds were used in the SFDC program.

Interest Rates:

Interest rates need not be subsidized but should be realistically set. SFPC loans were made at 12 percent per annum or one percent per month on the declining balance. CamCCUL's credit union rate on savings accounts is six percent. Credit Unions are required to deposit 25 percent of their savings with the league (CamCCUL) for which they are paid 6 percent interest. CamCCUL, in some cases, loans part of these funds back to the credit union at nine percent per year. Commercial banks are charging 18 per cent per annum and a government sponsored scheme (FONADER) is charging 10.25 percent per annum.

CONCLUSIONS

Mr. Abraham Ndofor, Camccul Manager, reports that solid groundwork has been laid for a small farmer credit program by experience gained with small farmer credit, training completed, and development of training materials, guidelines. He also stated that the present review of the program will provide guidelines for its expansion to all four provinces in which Camccul is active and will point the way to expanded production credit to agric-business and other productive enterprises.

Table 1: Summary of Small Farmer Production Credit Activities in Areas where Goals Established

Indicators	1985 Goal	1981 Actual	1982 Actual	1983 Actual	1984 Actual	1985 Planned
1. Number of SFPC Credit Unions	28	0	10	15	28	28
2. Total number of SFPC Credit Union members	6000	2,191	3,922	3,807	10,899	11,651
3. Number of SFPC borrowers for Agricultural Production purposes (cummulative)	900	74	203	390	710	1,090
4. Average SFPC loan size (CFAP 1,000)	90	128.6	62.9	104.7	108.2	123.6
5. Total value of SFPC Agricultural loans Distributed (CFAP 1,000,000 cummulative)	82	3.9	12.1	28.4	37.2	75.6
6. Number of League loans to SFPC C.U.'s - (cummulative)	25	3	5	9	11	17
7. Average value of League loan (CFAP 1,000)	1,150	1,180	440	1,360	2,670	1,200
8. Total value of League loans to SFPC C.U.'s - per year (CFAP 1,000,000)	82.3	3.5	4.4	9.8	15.1	22.3

Table 2: Summary of SFPC Training Activities - 1981 to 1985.

Training Activity	1981 Actual	1982 Actual	1983 Actual	1984 Actual	1985 Planned	Total
1. CamCCUL staff trained in SFPC - Person days	12	25	62	56	40	195
2. CamCCUL staff newly registered with INADES Formation Agric. Course	-	-	-	9	4	13
3. Credit Union secretaries and officers introduced to SFPC during regular credit union seminars	-	342	302	633	660	1,937
4. SFPC officers trained in seminars	-	33	36	58	39	166
5. Credit Union secretaries and officers registered and participating in INADES Formation Agric. course	-	28	-	1	54	83

Table 3: A Comparison of savings and loan levels between SFPCm Rural Non-SFPC and Total Non-SFC Credit Unions - 1981 to 1983

Type of C.U. and Item	Year			Total Growth
	1981	1982	1983	
	(1,000,000 FCFA)			(percent)
<u>1. SFPC Credit Unions:</u>				
Savings	164.3	217.5	261.4	59.1%
Loans	122.6	164.5	196.1	60.0
<u>2. Rural Non-SFPC Credit Unions:</u>				
Savings	459.3	552.9	648.7	41.2%
Loans	299.8	362.3	418.2	39.5
<u>3. Total Non-SFPC Credit Unions:</u>				
Savings	2,775.1	3,366.0	4,046.1	45.8%
Loans	1,913.0	2,330.4	2,814.5	41.1

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