

10-1-2009

Cool Head, Warm Heart: Governance and the Mission of Microfinance in the Case of MC2 Micro-Banks, Cameroon

Claire Ruffing
SIT Study Abroad

Follow this and additional works at: http://digitalcollections.sit.edu/isp_collection

 Part of the [Economic Policy Commons](#), and the [Growth and Development Commons](#)

Recommended Citation

Ruffing, Claire, "Cool Head, Warm Heart: Governance and the Mission of Microfinance in the Case of MC2 Micro-Banks, Cameroon" (2009). *Independent Study Project (ISP) Collection*. Paper 730.
http://digitalcollections.sit.edu/isp_collection/730

This Unpublished Paper is brought to you for free and open access by the SIT Study Abroad at DigitalCollections@SIT. It has been accepted for inclusion in Independent Study Project (ISP) Collection by an authorized administrator of DigitalCollections@SIT. For more information, please contact digitalcollections@sit.edu.

Cool Head, Warm Heart:

Governance and the Mission of Microfinance in the case of MC² micro-banks, Cameroon

Ruffing, Claire

Academic Director: Christiane Magnido

Academic Supervisor: Serge Djoum

Boston College

Economics

Africa, Cameroon, Central Province, Yaoundé

Submitted in partial fulfillment of the requirements for Cameroon: Development and Social
Change, SIT Study Abroad, Fall 2009

ISP Topic Codes: 502, 508, 509, 511, 523

ABSTRACT

The concept of a cool head and a warm heart co-existing is a Buddhist principle which attempts to illustrate compassion and pragmatism as mutually compatible, not mutually exclusive. Without intelligent management, compassion is lost in its ineffectiveness, and without compassion, intelligence is purposeless reason. This equilibrium is exactly the vision of microfinance that drives this paper: an important social and moral idea that is nevertheless affected by the world and environment in which it operates. By examining the governance mechanisms affecting microfinance in Cameroon, namely the Ministry of Finance and the management structure of the firms themselves, an idea emerges of constructive actions to take to allow this industry to flourish in an environment that isn't always conducive to accomplishing the industry goals. With an end objective of identifying proactive steps to be taken by the state and by individual microfinance firms, this paper examines the relationship between microfinance and governance generally, and uses the specific example of the MC² micro-bank network overseen by the Appropriate Development for Africa Foundation (ADAF, who also embraces the idea of a heart in their logo and motto). Ultimately, by understanding the cool head of governance, the warm heart of microfinance's social mission will be allowed to take its proper place.

CONTACTS

Serge Djoum, Professor at University of Yaoundé II
Academic Advisor; General, Academic, and Practical Knowledge of Microfinance
Extremely knowledgeable and well-spoken; speaks French and English (Usually taxi to Cradat [250 – 300 FCFA])
74.38.45.98

Pierre Tchomobe, Secrétaire Exécutif Adjoin a ADAF
Internship Contact; General and Practical Knowledge of Microfinance
Very busy but accommodating; speaks French and English (Taxi to Nouvelle Route, Bastos; also within walking distance of school)
77.71.31.18

James Beighle, Associate Director for Business and Small Enterprise, Peace Corps Cameroon
General Development Information; Practical Knowledge of Microfinance
Wonderfully helpful on many different subjects; speaks fluent English
jbeighle@cm.peacecorps.gov, Peace Corps Office (Taxi to Omnisport)

Atoick Lom Esaie, Contrôleur des Etablissements de Crédit et de Micro Finance, MINFI
Contact at Ministry of Finance; General and Practical Knowledge of Microfinance
Has access to very helpful literature and is easy to understand; speaks only French
77.73.50.15, second floor, Bâtiment B, Ministry of Finance

Monsieur Hadama, Director of Microbank Activities at Afriland First Bank
Potential Internship Contact; Practical Knowledge of Finance and Microfinance
Able to give multiple perspectives; speaks French
99.41.75.21, Afriland First Bank (Taxi to Hotel de Ville)

ACKNOWLEDGEMENTS

To **Serge Djoum**, for adopting me in my academic orphanhood. I sincerely appreciate your earnest support of my research and your assurance that what I had at first wasn't actually worthless. Also, thanks to you, my paper is beautifully formatted.

To **Pierre Tchomobe**, for answering every single one of my questions, regardless of how poorly phrased they were. I appreciate the honesty and corrections.

To **Claire at ADAF**, for giving me directions to the office and always being the first one to say *bonjour*.

To **Christiane**, for listening to me when I was slightly desperate, during ISP and elsewhere. Your genuinely investment in each student's health, heart, and happiness is one of the driving forces of this extremely successful program, and one of the examples of Cameroon's wonderfully welcoming hospitality.

To **Danielle**, for showing me the hill that gave me so much perspective. I'll give you a huge hug when we're finished this, and plan on crashing on your couch at least once in my life, I don't care if I'm sixty.

To **Ian**, for helping me get taxis, sharing your advisor, and offering to be interviewed. Oh, and for listening to the list of words I was super excited about in my paper. I'm so happy you chose economics to learn about, you little math major!

To **everyone who listened to me list my woes**. You know who you are, and hopefully you know you helped with every little bit you listened to.

To **my nouveaux amis at SIT**, for giving me so many different ideas to go home with. I was thrilled with the diversity of interests, priorities, and ambitions that I met here, and can't wait to tell all my friends at home the crazy stories I have. You will be mini celebrities.

To **Honorine**, for showing me how to make piment. Without that, I wouldn't have been able to concentrate at all on my research. True story.

TABLE OF CONTENTS

1. Abstract	3
2. Acknowledgements	4
3. Table of Contents	5
4. Introduction.....	6
5. Body	10
a. Chapter One: Microfinance and Development	10
i. Definitions	10
ii. State Governance Concerns Development Generally	10
iii. State Governance Concerns Micro-credit Specifically	11
iv. Microfinance Governance Generally	15
b. Chapter Two: Microfinance Market in Cameroon	18
i. History of Microfinance in Cameroon.....	18
ii. Current Rules and Regulations	19
iii. Structure of Microfinance Market in Cameroon	22
iv. Categories of Microfinance Institutions in Cameroon	22
v. Organization of the MC2 Network	23
c. Chapter Three: Influence of State Actions and Regulation on Microfinance Firms.....	26
i. Strengths.....	26
ii. Obstacles.....	28
iii. Recommendations.....	32
d. Chapter Four: Effect of Structure and Organization of Microfinance Firms on their Performance	33
i. Strengths.....	33
ii. Obstacles.....	37
iii. Recommendations.....	42
6. Conclusion	45
7. Works Cited	46

INTRODUCTION

I: Context

Cameroon, situated in West-Central Africa, has a population of 18.2 million, approximately 7.3 million of whom live below the national poverty line¹. However, when examining the rural population of 8.1 million, it is found that approximately 4 million are defined as living in poverty, or a full 50% of the rural population, versus 41% of the total population². Cameroon's GDP per capita is 2,300 USD, ranking 178th in the world, and its GDP growth rate is 3.3%, 115th in the world³; but, taking population growth into account, the GDP per capita growth rate is much lower, at 1.6%⁴, a statistic that is a much more accurate reflection of quality of life. GDP is heavily driven by agriculture which comprises 43.6% of GDP and 70% of labor-force employment⁵. Unfortunately, the access to financial services for those living in rural areas and hence those involved in agriculture is severely limited, especially to the 4 million rural poor. To fill this supply gap, over 500 microfinance firms have come into being in Cameroon between 1990 and 2009 who are attempting to give the poor and very poor access to savings, loans, and other financial services.

II: Problem Statement

With so many people depending solely on these independent institutions for financial services and an increasingly large portion of the formal and informal Cameroonian economy driven by these non-governmental entities, the state began to regulate the industry in 1992 and is still today refining its approach. The microfinance institutions themselves are faced with a continually-growing market, exponentially increasing interest in the sector with its publicized

¹ "Cameroon". CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook>. 2009.

² "Cameroon Statistics". Rural Poverty Portal. www.ruralpovertyportal.org. 2006.

³ CIA World Factbook.

⁴ Rural Poverty Portal.

⁵ CIA World Factbook.

successes, and an increased potential for demand as the population grows⁶. How, therefore, should the state and microfinance institutions manage the current micro-credit sector while building capacity for greater services in the future to fulfill the goals of alleviating poverty and empowering the poor?

To understand the role governance of the state and of the microfinance institutions has in the future of the micro-credit industry is to understand how the state and the institutions interact, and the management structure of microfinance firms. Governance has emerged as the key word in the study of efficacy⁷ and has been proposed as a solution to many of the current problems facing the industry, and also as the key to increasing the depth and breadth of the micro-credit sector. Governance of the state affects the microfinance firms and the environment in which they operate, and governance of the firms themselves directly affects the definition of their objectives and their ability to achieve their goals⁸. By understanding the governance of the state and of the firms themselves, it is possible to define the key to increasing efficacy in the present and unlocking a world of potential for the future.

III: Objectives

The main objective of this work is to understand the effect state governance and the management organization of the institutions themselves has on microfinance performance in Cameroon. Specifically, this means examining:

- State regulations and their implications in microfinance creation and performance;
- Organization of microfinance firms, specifically MC² microbanks, and the effect on the achievement of the social and economic missions;
- Perceptions of the state by microfinance firms, and perceptions of microfinance firms by the state;

⁶ Triodos Facet/MicroNed. "Trends in Microfinance 2010-2015". www.triodosfacet.nl. May 2009.

⁷ Demanou, Patrick. « Séminaire annuel : Les institutions du modèle MC2 échangent sur la gouvernance, la rentabilité, le portefeuille crédit ». *Le défi des pauvres : Modèle MC2: Une approche endogène de développement*. Vol 13 : November 2008. (13)

⁸ Barr, Michael S. "Microfinance and Financial Development". *Michigan Journal of International Law*. Volume 26:271, 05 March 2005.

- Governance effects on the future of the microfinance sector.

IV: Hypotheses

From the above objectives, it is possible to draw the following hypotheses.

1. The government has a strong influence on the operations of the microfinance institutions, and, through this influence, has the opportunity to greatly affect the efficacy and future potential of the sector.
2. There is much room for improvement in the management of the microfinance industries themselves to increase their capacity.

V: Methodology

The investigation of these hypotheses was conducted through a combination of work in conjunction with the Appropriate Development for Africa Foundation (ADAF) in Yaoundé, Cameroon, and a series of interviews with microfinance practitioners, government officials, and ADAF partner organizations. ADAF is a non-governmental organization that, among other development efforts, assists with the management of two micro-credit institutions (MUFFA and MC²). It is the case of the MC² micro-banks that was used as an example of the micro-credit industry. The original goal was to be an active participant in the organization, but unfortunately there was little work available, so the primary method of data collection became interviews and primary literature. Also, no access was given to international contacts or partner organizations because it was stated that “ADAF could answer all questions”. Therefore, in an effort to gain a broad-reaching understanding in a limited amount of time, interviews were conducted across sectors. High-level managers at ADAF were interviewed on the internal structure of both ADAF and the micro-banks, the role of the state as they perceived it, and opportunities for both the state and the micro-banks to improve their efficacy. Officials at the Ministry of Finance were also asked how the state and the microfinance industry can change to best advance, and were additionally questioned on the

regulations governing microfinance, the general perception of microfinance by the state, and how effective microfinance is as a force in the macro economy. ADAF partner organizations, such as the Peace Corps and Afriland First Bank provided not only details on their specific projects with ADAF but an outside perspective on the management structures of ADAF and the MC²s and how that affected their ability to carry out their economic and social missions. Occasionally, among practitioners, it was difficult to solicit genuine responses to opinion questions, particularly when there was a 'line' or a given phrase that was easily substituted (e.g. a mission statement used to answer an efficiency question). However, these given phrases and other supplementary literature allowed primary analysis of the policy and management environments, including the Banking Commission for Central African States regulations on microfinance institutions and the official mission statements of ADAF and MC²s.

VI: Plan

The plan of our work will be as follows:

- Chapter One: Microfinance and Governance
- Chapter Two: Microfinance Market in Cameroon
- Chapter 3: Influence of State Actions and Regulations on Microfinance Firms
- Chapter 4: Effect of Structure and Organization of Microfinance Firms on their Performance.

CHAPTER 1: MICROFINANCE AND GOVERNANCE

I: Definitions

The definition of microfinance as laid out by the Banking Commission for Central African States is: “an activity carried out by registered entities which do not have the status of banks or financial institution...and which carry out, on a regular basis, loans operations and/or savings collection and offer specific financial services to populations who mainly operate outside to [sic] traditional banking channel [sic]”⁹. As is referenced in this definition, it is important to expand the understanding of microfinance to include all financial services, most importantly saving, and that services are not limited to small scale loans.

For the purposes of this work, state governance will be understood as the laws and regulations governing microfinance created or adopted by the Ministry of Finance. Also included are actions taken by the state that directly or indirectly affect the economic or social environment in which microfinance operates. Microfinance governance will be understood as the organization of the management structure of microfinance firms, the adopted regulations outside of those created by the state, the actual lending practices, and the general comportment of the staff at these institutions. These definitions serve to clarify the scope of the investigation of this work and limit the broad term ‘governance’ to specific actions taken by the state and the microfinance institutions.

II: State Governance Concerns Development Generally

Governance is a concern to development and international aid strategies in general, particularly the problem of corruption within a local, regional, or federal government.

⁹ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Part I, Article 1)

Frankly, “a fundamental truth [is]... development depends on good governance...No country is going to create wealth if its leaders exploit the economy to enrich themselves, or police can be bought off by drug traffickers. No business wants to invest in a place where the government skims 20% off the top, or the head of the port authority is corrupt”¹⁰. Corruption limits investment and takes profits away from participating individuals, undermining one of the principle tenants of free-market economics. Other issues with governance include “low levels of transparency and accountability, and an absence of effective development strategies”, all of which “add up to a government not conducive to effective aid”¹¹. Not only does aid perform worse, but aid is less available to those governments with such practices. The United States, for example, under George W. Bush and Barack Obama, has had aid conditional on good governance, Bush through his Millennium Challenge Accounts¹² and Obama with his declaration in Ghana that America will “increase assistance for responsible individuals and institutions, with a focus on supporting good governance” and “support those who act responsibly and to isolate those who don’t”¹³. Additionally, unsound governance practices such as financial misregulation can contribute to financial crises, all of which affect the poor much more than the rich. Financial regulation and sound economic policy are essential to assuring stable fiscal environments for development efforts and international aid to be successful.

III: State Governance Concerns Micro-credit Specifically

Arguments have been made that, to some or a large extent, microfinance is independent from regulatory entities, which frees them from concerns of corruption, lack of enforcement, or little legal support. Micro-credit “can thrive in weak legal and other formal

¹⁰ Associated Press. “Text of President Obama’s Speech in Ghana”. 2009.

¹¹ UNESCO. “Overcoming inequality: why governance matters”. EFA Global Monitoring Report 2009. UNESCO Press: Paris, France. 2008. (219)

¹² Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005.

¹³ Obama’s Speech in Ghana

institutional environments because they [micro-credit institutions] largely do not have to rely on such formal institutions to operate...Many of the risk-mitigation techniques developed by microfinance institutions...are functional substitutes for legal-institution-intensive forms of creditor protection”¹⁴. Joint liability is one such technique: it relies on community members to act as social collateral for fellow borrowers, meaning, instead of pledging financial assets, clients have friends or co-workers guarantee a portion of the loan. Because the community knows the borrowers, only reliable individuals are guaranteed and, because there is a sense of loyalty to that community and its members, there are social consequences to defaulting on a loan¹⁵. Joint liability theoretically eliminates the need for an effective enforcement network or a well-developed system of credit regulation; instead, community members perform these offices and there is no formal institutional involvement. As a result, “microfinance might be an important financial development strategy in the face of weak, incompetent, or corrupt governance, and in post-conflict reconstruction efforts...”¹⁶ because it allows development efforts to be made without tacitly or explicitly supporting malgovernance. In fact, microfinance may be able to contribute to the development of better governance by helping “foster internal demand for political changes regarding financial repression, including easing interest rate controls, permitting greater foreign ownership of financial firms, and ending directed lending to cronies that hamper financial development...” The “entrenched elites who benefit from the current system have little incentive to promote these changes even though financial development would benefit the country broadly”¹⁷. By involving more people in the financial system and thereby providing personal, popular motivation for reform, micro-credit firms hold the government responsible for good regulation policy, especially considering microfinance clients have the potential to vastly outnumber the elites.

¹⁴ Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005. (284)

¹⁵ Hubka, Ashley and Rida Zaidi. “Impact of Government Regulation on Microfinance.” Prepared for the World Development Report 2005: Improving the Investment Climate for Growth and Poverty Reduction. (3)

¹⁶ Barr. (284-5)

¹⁷ Barr (291)

However, the argument that microfinance is completely separate from government influence eventually fails, particularly as efforts are made to expand the sector to a broader client base and a deeper lending pool. At a basic level, it is true that, while microfinance can perform independently of formal regulatory institutions, “microfinance institutions operating in bad legal and policy environments are likely to fare much worse than their counterparts elsewhere...”¹⁸. In order to have a successful micro-credit sector as a whole, the government is a necessary implementer of social, economic, and financial policy.

Micro enterprises run by poor people cannot be broadly successful simply because they have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need a vibrant, well-functioning domestic market itself that encompasses enough people with enough money to buy what these enterprises have to sell. Finally, micro businesses benefit greatly from an expanding supply of decent wage-paying jobs in their local economies. This is the single best way of maintaining a vibrant domestic market¹⁹.

Development is more than investing money and developing human capital. There must be structures in place, physically and economically, for development to be sustained and for the population to be able to take advantage of the new opportunities. Economically, for example, the government is responsible for general macroeconomic health, and “macroeconomic instability can wreak havoc with microfinance programs... [malgovernance] can make microfinance unprofitable and unsustainable”²⁰. The government’s ability to control the economy and even the availability of information on that economy means it controls the environment in which the microfinance institution operates. If, for example, there is extreme hyperinflation and currency value is rocketing up, no one will take out a loan because in two days the amount will be worthless. Also, consider the price of certain goods in the market: if a farmer cannot sell her goods at a profit-making price because the unstable market will not support it, she will not be able to pay back her loan. If an entrepreneur cannot attract

¹⁸ Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005. (285).

¹⁹ Pollin, Robert. “Microcredit: False Hopes and Real Possibilities” www.fpiif.org, 21 June 2007.

²⁰ Barr. (284-5).

investors because the government does not support a good-investment environment, the economy loses.

Even if a country is economically and socially healthy, financial governance has a huge effect on microfinance. Firstly, financial crises caused by faulty governance affect the poor, the target market of microfinance, more than the rich because the poor have little to no savings and live financially moment to moment, whereas the rich have accrued assets or wealth in other forms that cushion the impact of crises. But, even in the absence of a crisis, the wealthy are still in a better position, because they can “rely on relationships and ample assets in the face of information-poor and legally weak markets”²¹. These connections and assets are made in the corrupt environment of poor state governance which perpetuates a static economic reality as opposed to mobile economic potential, one of the goals of micro-credit. Those who participate in corrupt business practices benefit and stay rich, whereas those who cannot or will not participate are marginalized and kept in poverty. Finally, as microfinance strives to increase its scope and the size of its loans, it must move away from solely untraditional loan guarantees such as joint liability, and incorporate traditional enforcement structures that fall under the domain of the government and other legal and financial institutions. If this enforcement fails, “relationship lending dominates and intermediaries do not look to a broader potential base of borrowers. Under such circumstances, banks lend to favored customers, but not to the broader public”²², which limits the scope of microfinance institutions and cripples their ability to reach the poorest poor. This in turn defeats the social and developmental goals of micro-credit or microfinance expansion. The failure to collect will also exponentially affect the social responsibilities of microfinance, because as more people default on their loans, fewer people will be able to acquire loans, and microfinance institutions will be able to take fewer risks. The microfinance institution, as it

²¹ Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005. (276).

²² *Ibid* (277-8)

tries to become a larger, more influential entity, will instead be reduced to functioning as a commercial bank, either unwilling or unable to help those that need it most.

Therefore, micro-credit may be able to function, in a basic sense, without formal support, and can contribute to good governance practices. However, in order to grow, there needs to be a solid governmental environment, including macroeconomic stability, financial regulation, and effective enforcement structures.

IV: Microfinance Governance Generally

Like any other financial institution, microfinance efficacy is directly related to its management and self-governance. To ensure good microfinance governance is to first institute transparency and accountability, because “the operational and financial sustainability of a microfinance institution requires, among other things, a clear strategic vision and an organizational structure that is transparent, efficient and accepted by all the stakeholders involved”²³. In addition to sustainability, “...provid[ing] greater transparency and becom[ing] more efficient in their operations...would be beneficial to donors, the institutions, and borrowers” involved in the micro-credit sector²⁴. These characteristics, while apparently self-evident, are often lacking in this fledging industry, and simple changes could easily ensure sound business practices; for example, opening up financial statement or ‘balance sheets’ to their investors has the potential to increase investment if the balance is favorable, or elicit help from experts who wish to protect their investment if the balance is not favorable. Transparency and accountability are also crucial to ethically sound business practices, which is an important consideration in financial development. Not only are the ideas ethical, but they directly discourage theft and corruption once instituted because crime is much easier to detect and track. Transparency and accountability are also very attractive to Western

²³ Wessling, Ann. “Note from CAPAF: Improving Microfinance Governance” www.microlinks.org. 30 November 2007.

²⁴ Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005. (283)

investors, so institutions who can clearly communicate the soundness of the investment to potential supporters from abroad have a greater chance of winning investors and sustaining and expanding their business. Therefore transparency and accountability increase domestic and foreign involvement, which in turn leads to an increased chance of sustainability.

However, in such a rapidly-changing field, sustainability cannot be the end goal, or the institution will be left behind. A pioneering survey carried out by the Centre for the Study of Financial Innovation, an independent not-for-profit think tank based in London which explores the future of financial services, called 'Banana Skins', had over 300 respondents from 74 countries "and is the most comprehensive survey undertaken of the risk outlook for microfinance"²⁵. It concluded that the ever-increasing amount of investment into the micro-credit sector "could overwhelm those microfinance institutions that are not equipped to meet the pressures of rapid growth and rising competition. The high expectations that people have of microfinance both as a social movement and a financial investment could be disappointed as a result, says a new survey of the risks facing the industry"²⁶. Interpretation of the survey concludes that "'the most urgent need facing the industry', said Xavier Reille of CGAP... 'is the need to strengthen institutions at the local level - management, boards as well as government regulators'"²⁷. Increasing market importance will demand a level of governance equal to a commercial bank or other financial entity and the "increased competition will oblige providers to apply the product development and marketing strategies of a mature industry". Industry development, once "development led" (from the North) will be taken over by commercial initiatives, increasingly coming from inside the developing world²⁸.

Fortunately for the industry and its clients, the future of micro-credit is clearly in the hands of the micro-credit institutions themselves. To start with,

²⁵Barr, Michael S. "Microfinance and Financial Development". *Michigan Journal of International Law*. Volume 26:271, 05 March 2005. (283)

²⁶Thomas, Jeanette. "Management weakness is the greatest risk facing microfinance, says new 'Banana Skins' survey" www.cgap.org 14 November 2009.

²⁷*Ibid*

²⁸Triodos Facet/MicroNed. "Trends in Microfinance 2010-2015". www.triodosfacet.nl. May 2009. (6)

The technologies to transform microfinance already exist. Among the available technologies are magnetic stripe and chip (smart) cards, point of sale devices, ATMs, cell phones, satellite communications, the internet, credit scoring, biometric recognition and more. These technologies will require microfinance institutions to redesign their business models and educate their employees and customers to master new ways to deliver and receive services. Such changes will not always be easy, but the benefits will be dramatic²⁹.

Implementation of existing technology would be the first step to increasing the viability of current microfinance firms in the future of the industry. This step requires little to no outside assistance, and can begin immediately, two characteristics that put the decision squarely in the hands of the firms themselves.

Furthermore, according to the Banana Skins survey, “of the 29 risks - or ‘Banana Skins’ – identified...many of the top ones are linked to factors directly under MFIs' own control, such as the quality of management and corporate governance, rising costs, staffing, managing technology, and credit risk”: management weakness and corporate governance top the list³⁰. A reality in Central Africa is that “a large number of MFIs do not dispose of reliable management and information systems. The members, staff and clients of MFIs do not always have all necessary management skills”³¹. Improvements in management training and governance structures, while not as easily implemented as utilizing existing technology, are equally in the hands of the firms themselves and are not restricted by outside governance in any way.

²⁹ *Ibid.*, (8)

³⁰ Thomas, Jeanette. “Management weakness is the greatest risk facing microfinance, says new 'Banana Skins' survey” www.cgap.org 14 November 2009.

³¹ “Recommendation for the Improvement and the Diligent Enforcement of the Institutional and Regulatory Framework for Microfinance in Central African Countries”. International Law Development Association. Yaounde, 2007. (Fact Eight)

CHAPTER TWO: MICROFINANCE MARKET IN CAMEROON

I: History of Microfinance in Cameroon

The history of microfinance in Cameroon can be divided roughly into three time periods: creation, crisis, and reconstruction. The first period, creation, began with the first microfinance institutions in Cameroon. The first microfinance firm was established in the Anglophone zone of Cameroon in 1963 in Njinikom. The movement spread to other areas of the region, and led to the creation of the CAMCCUL network in 1968. In 1971, microfinance began in the Francophone region, in Yaoundé, and two years later, a law was instituted that allowed cooperatives within Cameroon's borders, facilitating the creation of microfinance institutions and associations.

The second period, crisis, was prompted by the Africa-wide financial collapse of the 1980's. The crisis prompted a new savings strategy and, with that new strategy, an increased autonomy of the cooperatives. The law of 1992 placed the responsibility of the management of cooperatives on the members themselves, and mandated an internal supervisory organ within all microfinance institutions in Cameroon.

The third and last period, reconstruction, began with a law in 1998 that revised the law of 1992 to transfer control of microfinance firms to the Ministry of Finance instead of the Ministry of Agriculture, allow microfinance institutions to give services to non-members, and gave the Monetary Authority the ability to dissolve microfinance institutions. Currently, investors are more and more demanding regarding financial accountability and transparency, and internal control has acquired the utmost importance³².

³² The entirety of this section, excepting the labels "creation, crisis, and reconstruction", was based on : Zangue, Edouard. "Contribution du Contrôle Interne a la Performance Economique et Sociale des Etablissements de Microfinance au Cameroun: thèse pour le Doctorat en Sciences de Gestion". University of Yaoundé II, July 2009. (6)

*Original Quote : "Nous devons d'abord insister sur la bonne gouvernance. Il faut que les instances de régulation fassent leur travail"

II: Current Rules and Regulations

The more recent financial crisis of 2007 demonstrated the dependence of all financial institutions on the government to prevent such occurrences and ensure stability. Isaac Ngoum, the head of a microfinance institution in Cameroon stated that [microfinance institutions] must first insist on good governance. The regulations must do their job³³. In Cameroon, the main regulations governing microfinance activities were written by the Banking Commission for Central African States (COBAC) and therefore govern all of the countries under the Economic and Monetary Community for Central Africa (CEMAC). The stated purpose of the these regulations is that: "...the evolution and growth of microfinance structures in the Central African sub-region...require the setting up of a framework to regulate the activities of microfinance structures in order to secure saving and enable the financing of basic economic initiatives"³⁴. The two main governing bodies are the Monetary Authority of each state, meaning the Ministry of Finance in Cameroon, and COBAC. However, "COBAC shall only be able to give its opinion after consultation with the Monetary Authority...any refusal to grant licence shall be motivated and notified to the applicant by the Monetary Authority", so the "absolute" monetary authority in Cameroon is the Ministry of Finance³⁵. To apply, there must be a promoter or manager in place, as well as a general assembly or a list of members³⁶. A certain amount of minimum capital, depending on the category of microfinance institution, must be already raised, and an institution file must be created and submitted³⁷. This file, which will be passed on from the Monetary Authority to COBAC, must include the following documents:

³³ Fomo, Eric Vincent. "Isaac Ngoum- 'La microfinance doit insister sur la bonne gouvernance'". Cameroon Tribune. 21 April 2009

³⁴ Banking Commission for Central African States. "CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities". *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Preamble)

³⁵ *Ibid.* (Part IV:1.1.1, Article 23)

³⁶ *Ibid.*

³⁷ *Ibid.*

- a stamped application specifying the requested category
- a registration Certificate
- the minutes of the general meeting for the creation of the institution,
- the Articles of Association of the Institution
- a list of founding members or shareholders
- the members of the Board of Directors or of the organ considered as such
- where necessary, documents testifying that payments have been made in connection with the liberation of subscribed shares, supported by bank statements or any other documents serving as such
- a three year forecast of the activity, expansion and organization
- a detail of technical and financial means to be used as well as any element likely to enlighten the competent authorities³⁸.

When questioned on the conditions of rejection, individuals responded that not meeting any of the requirements was a condition for rejection, including any of the workers having been in prison, not having minimum capital, or the managers not meeting the intellectual requirements³⁹. When asked how many applications are rejected versus how many are accepted, he responded some are rejected some are accepted; he didn't have the exact numbers.

The Banking Commission also has regulations governing the financial environment in which the microfinance institutions operate, or “the regulations relating to the financial balance of institutions and more generally, those relating to the sustainability of the Microfinance sector”⁴⁰. Specifically,

It shall define the regulations relating to:

- the conditions for resorting to borrowings
- the conditions for taking shares in such institutions
- the management norms that the institutions are bound to comply with in order to guarantee their liquidity, their solvency, and the balance of their financial situation,
- the accounting plan
- the consolidation of accounts
- and the publishing of accounting documents as well as any other information needed by the competent authorities and the public,
- the conditions under which these institutions can buy shares and grant loans to their members, shareholders, directors, and staff
- the notion of locality with regard to the drawing of cheques,
- the limits applying to institutions with regard to secondary transactions

³⁸ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Part IV:1.1.1, Article 23)

* See *Ibid*, Part I, Article 7 for minimum capital and Part IV: 1.2.2, Articles 30-1 for intellectual requirements

³⁹ Esaie, Atiock Lom, Personal Interview (See Works Cited for full information)

⁴⁰ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Part V: Article 46)

- the minimum number of members and the maximum of shares to be held by one member in a First Category institution
- the modifications of the legal status⁴¹.

The Banking Commission also, for those institutions organized into networks, controls the umbrella organ, and the umbrella organ must file an annual report for its network⁴². In addition, the Banking Commission can “carry out on-the-spot controls in affiliated institutions”⁴³.

Ministry of Finance supervision also continues after creation. The State demands a prudential ratio of loans to savings, and one person cannot hold more than 15% of shares in any one Category I institution⁴⁴. However, the government does not exercise interest rate controls on microfinance institutions, only on commercial banks, allowing microfinance more flexibility when adjusting to default rates or poor macroeconomic markets⁴⁵. Additionally, microfinance clients or members who aren't content with services come to Ministry of Finance to complain⁴⁶. It is worthy to note that there are people complaining about microfinance, but the Ministry of Finance is not incredibly accessible. Visiting hours, for example, start at noon and end at five, leaving clients who have businesses or those who have children in a difficult position. But, if enough complaints are logged or the microfinance institution is found to be operating unsatisfactorily, the Banking Commission has the power to appoint a “temporal administrator”, and, if the degree of inefficiency warrants it, the commission also has the power to liquidate the institution⁴⁷. In the words of a Ministry official: we have the power to grant your existence; we have the power to take away that

⁴¹ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Part V: Article 46)

⁴² *Ibid* (Part V, Article 51)

⁴³ *Ibid* (Part V, Article 55)

⁴⁴ Tchomobe, Pierre. Personal Interview. (See Works Cited for full information)

⁴⁵ *Ibid*.

⁴⁶ Esaie, Atiock Lom, Personal Interview (See Works Cited for full information)

⁴⁷ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Part IX)

existence⁴⁸. In general, it is very difficult to follow the rules and regulations of the Ministry of Finance and COBAC because they are difficult to read and interpret⁴⁹. This can certainly pose a problem when the state both creates the difficult rules and reserves the right to liquidate if the rules are not followed.

III: Structure of Microfinance Sector in Cameroon

Within Cameroon, microfinance firms are either divided into networks or operate individually. The networked institutions, like MC²s and MUFFAs, tend to have more of a social-mission focus, and, as will be examined later, have many operational and financial advantages over those microfinance institutions that operate individually. Those that do choose to operate outside a network tend to be more project- and profit-oriented; an example is ACEP-Cameroon. They have the ability to fund projects nationally and internationally.

IV: Categories of Microfinance Institutions in Cameroon

Under the Monetary Authority, microfinance institutions are divided into three categories. Category one firms are associations, meaning they provide savings, loans, and non-financial services only for their members. MC²s are category one firms, also known as cooperatives. Category two firms are sociétés anonymes, meaning they offer savings and loans to the general public. Unity Cooperative Society (UNICS) recently changed from a category one to a category two. Category three firms do not offer any savings, only loans⁵⁰. In general, category two firms are considered the riskiest, and therefore must also apply to the National Credit Council in addition to the Ministry of Finance and COBAC. An institution must apply to a specific category.

⁴⁸ Esaie, Atiock Lom, Personal Interview (See Works Cited for full information)

⁴⁹ Tchomobe, Pierre. Personal Interview (See Works Cited for full information)

⁵⁰ Esaie, Atiock Lom : Contrôleur des Etablissements de Crédit et de Micro Finance. Personal Interview (See Works Cited for full information)

V: Organization of the MC² Network

The Appropriate Development for Africa Foundation (ADAF) is a non-governmental organization formed in 1992 to, firstly, bring direction to microfinance structures in Cameroon, and, secondly, to support rural development in Cameroon⁵¹. The underlying goal is to give the people the power to take care of themselves and develop their own world⁵². Under the oversight of ADAF, there are, among other projects, two networks of microfinance firms: MC²s or the rural micro-banks, and MUFFAs or the urban microfinance firms uniquely for women. MC²s get their name from the formula: “Victory over Poverty (VP) can be achieved provided that the Means (M) and Competences (C) of the Community (C) are pooled together ($VP = M \times C \times C = MC^2$)”, with “the main mission of the MC² model [being] to provide local populations with a development tool that will help them achieve self-reliance both at individual and community levels”⁵³. MC²s follow a very specific, five-state development process. Stage One is sensitization of the poor, including the importance of savings in development, emphasis on self-reliance and a pride in self-sufficiency. State Two is a mobilization of general savings and investments to begin the financial institution, Stage Three is financing individual, income-generating activities, and Stage Four is financing group activities. Stage Five, the last stage, is the implementation of social development projects in addition to the financial and economic development instigated by the micro-credit activities⁵⁴. This process is to work towards their two-fold objective: “an economic objective: economic and financial sustainability [and] a social objective: targeting the poor, micro, and small-scale activities”⁵⁵. MC²s offer financial and non-financial services, including “savings, loans, money transfers, other banking facilities, micro insurance...support and consultation services,

⁵¹ *Ibid.*

⁵² *Ibid.*

⁵³ ADAF. “The MC² Model: A community-based development approach”.

⁵⁴ ADAF. “The MC² Model: A community-based development approach”.

⁵⁵ *Ibid.*

training, acquisition of various inputs, etc.”⁵⁶ The number of members and clients using these services in the entire MC² network in 2007 was 849,030, a leap forward from 2000 when members and clients numbered just 219,410, and, in total, the MC² network has allocated loans for more than 30 billion FCFA since 1992⁵⁷. The MC²s are clearly rooted in the communities: in fact, the MC²s were instituted for the populations of a given community, at the time by those who live there or grew up in there and live elsewhere, who put their financial means and know-how together in order to solve the issue of the community development*⁵⁸.

It is important to note that ADAF does not strictly manage MC²s in the sense that it is not concerned with their day-to-day affairs. The three staff members of MC²s (secretary-treasurer, accountant, and cashier) take care of the actual operation of the facility. Even when there is an internal problem, MC²s have a Council of Elders that will mitigate conflicts, apply social pressure to defaulters, and assist with other problems encountered in day-to-day activities. What ADAF helps oversee is the formation of employees, compliance with rules and regulation of the Ministry of Finance and COBAC, and adherence to the complex accounting norms set forth by the same regulatory agents. The most important concepts of training MC² workers are that, ultimately, the cooperative is their own; managers must have the appropriate skills and good management habits; the loan-to-savings ratio determines the amount of money an MC² can give out at once; to limit conflict of interest, Board of Directors, staff, and the Wise Council cannot have more than 30% of net equity fund; there will be consequences to violating any ratio set forth by the state⁵⁹. The largest monitoring

⁵⁶ *Ibid*

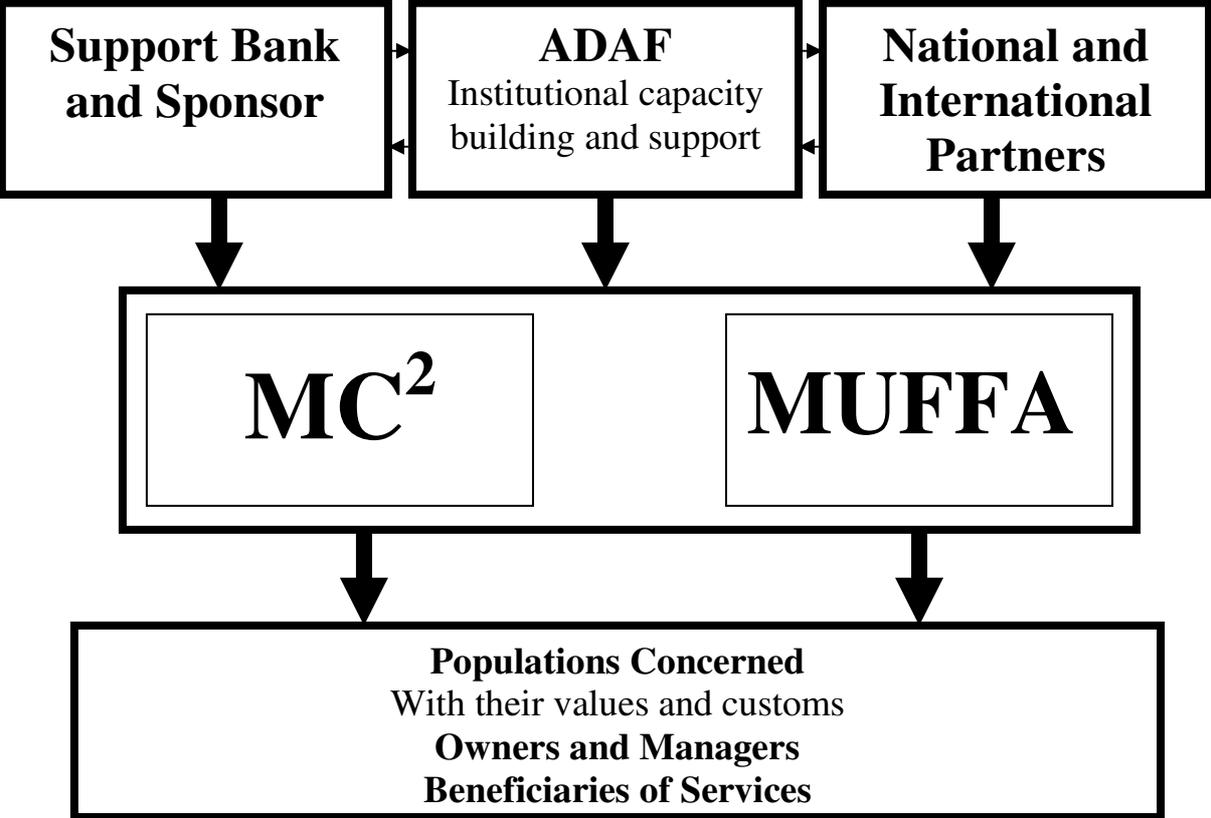
⁵⁷ Bomda, Justin. « Microfinance, un secteur en pleine expansion au Cameroun ». *Le défi des pauvres : Modèle MC2: Une approche endogène de développement*. Vol 13 : November 2008. (3)

*Original Quote : « En fait, les MC sont mises en place par les populations d’une communauté donnée, a la fois par ceux qui y résident ou les originaires de cette localité vivant a l’extérieur, qui mettent leurs moyens financiers et leur savoir-faire pour essayer de résoudre ensemble le problème de développement de la communauté »

⁵⁸ Bomda, Justin. Télévision Interview, CRTV. Patrick Demanou, transcription. « Interview a l’issue du séminaire annuel du réseau : La Microfinance est une chance pour l’Afrique ». *Le défi des pauvres : Modèle MC2: Une approche endogène de développement*. Vol 13 : November 2008. (19)

⁵⁹ Tchomobe, Pierre. Personal Interview (See Works Cited for full information)

effort put forth by ADAF is watching the liquidity of each back. If there are not enough funds, the community experiences a panic, there is a bank run, and the bank must close. This results in a loss of confidence in that particular MC², MC²s in general, and, in most cases, a loss of confidence in all financial institutions, defeating the social mission of all MC²s and microfinance⁶⁰.



⁶⁰ *Ibid.*
 Diagram courtesy of ADAF. “The MC2 Model: A community-based development approach”.

CHAPTER 3: INFLUENCE OF STATE ACTIONS AND REGULATION ON MICROFINANCE FIRMS

I: Strengths

There are several aspects of governance in Cameroon that contribute to the overall health of the microfinance sector, including the general acceptance of the microfinance industry as a tool in the fight against poverty. The opinion of the state is that microfinance is a vehicle to fight poverty and to ‘bankilize’ the poor, or to provide access to financial services and increase general savings rates⁶¹. Microfinance is closer to the poor than the state is, so microfinance institutions are better suited to provide financial services and execute other development efforts⁶². In Cameroon, a director of a microfinance institution phrases it well, saying that microfinance institutions are an indisputable lever to economic development and the fight against poverty^{*63}. The main basis for this claim as an “indisputable lever” is the unique access microfinance has to the poor. Individuals in poverty, according to COBAC, have “unsatisfied banking and financial needs” that microfinance firms are able to fill. As a result, these previously impoverished clients can, through microfinance, “secure saving and enable the financing of basic economic initiatives”⁶⁴. Since there is very little profit that is available in lending to the very poor, commercial entities have little motivation. By contrast, socially-motivated institutions like microfinance firms are ideally compelled not by profit but by development goals, and therefore are more willing and able to take on high-risk loans. These loans translate into “higher household incomes, increase[d] savings rates, smooth consumption pattern and... [diverse] sources of income generation” which all contribute to

⁶¹ Ongolo, Maximin: Sous-Directeur de la Microfinance. Personal Interview (See Works Cited for full information)

⁶² *Ibid.*

* Original Quote: “Aujourd’hui, on peut dire que les Emf sont un levier incontournable du développement économique et de la lutte contre la pauvreté »

⁶³ Fomo, Eric Vincent. “Isaac Ngoum- ‘La microfinance doit insister sur la bonne gouvernance’”. *Cameroon Tribune*. 21 April 2009.

⁶⁴ Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002. (Preamble)

more economically sound practices and an increased ability to contribute to economic development within a country. Additionally, microfinance has been proven to empower its clients, and “empowerment is at the center of human progress”⁶⁵. Microfinance clients and their families have improved health, including better nutrition and higher immunization rates; more participation in education; and increased gender equality, including “increased confidence and assertiveness, and increased participation in household and community decision-making”⁶⁶.

The second strength is the attempt at regulation represented by the COBAC regulations, created partially in reaction to the surge of microfinance institutions. According to James Beighle, Associate Director at the Peace Corps in Cameroon, “one of the biggest issues with microfinance is that...there are all these international donor organizations that are pumping money into it, and so everybody wants a piece of that...so the COBAC regulations...were written to prevent some of these organizations from coming in and stealing people’s money”⁶⁷. The COBAC regulations, including the demand for a minimum amount of capital, aim to eliminate these profit-seeking entities. Without minimum capital, the sheer volume of enterprises looking to get a piece of the foreign development aid “could overwhelm the supervisory authority, create moral hazard for m[icro]f[inance] i[nstitution]s not yet ready to face the discipline of the market, and present a[n] ...opportunity for undercapitalized financial institutions searching for a way around more rigorous prudential standards and supervision applied to banks”⁶⁸. Category one firms, in lieu of minimum capital, are required to set up a solidarity fund to cover deficits accumulated during the fiscal year⁶⁹. This fund

⁶⁵ Feffer, John Ed. “Foreign Policy In Focus: Sam Daley-Harris, Robert Pollin, and Felicia Montgomery” www.fpif.org. 21 June 2007.

⁶⁶ Hubka, Ashley and Rida Zaidi. “Impact of Government Regulation on Microfinance.” Prepared for the World Development Report 2005: Improving the Investment Climate for Growth and Poverty Reduction. (4-5)

⁶⁷ Personal Interview. (See Works Cited for full information).

⁶⁸ Hubka, Ashley and Rida Zaidi. “Impact of Government Regulation on Microfinance.” Prepared for the World Development Report 2005: Improving the Investment Climate for Growth and Poverty Reduction. (15)

⁶⁹ Banking Commission for Central African States. “COBAC Regulation Relating to the Constitution of the Solidarity Fund”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 15 April 2002. (Article One)

functions in a cooperative the same way that minimum capital does in an enterprise: it demands previous investment by members into the institution and insures the ability of the firm to cover certain operating costs from the beginning.

The acknowledgement of the importance of microfinance and the regulation of entry into the sector are important beginning steps to fostering a positive operating environment.

II: Obstacles

The Cameroonian government creates or fails to address several key obstacles. The first major obstacle is the application process. The application process can sometimes take too long or become too convoluted for a microfinance firm to maintain momentum, and the desire and capacity for development disappears⁷⁰. In an independent seminar concerning microfinance in CEMAC, a document was published calling for specific clarifications of the COBAC regulations. This treatise, signed by the National Association of Microfinance Institutions in Cameroon (ANEMCAM), included examples such as

the understanding of the phrase ‘complete application’ is made difficult by the last point on the list of documents to present (article 23, line 3, in fine) for it does not give a precise definition of the terms ‘financial and technical resources’; Such is the case with the interpolated clause ‘every element likely to enlighten the competent authorities’ gives to the monetary authority a discretionary power of appreciation⁷¹

Additionally, “the MFI promoters are not sufficiently informed about the licensing procedure and are unaware of ways to appeal for reconsideration”⁷². With unclear application procedures, microfinance institutions could be getting rejected on technicalities rather than on the true merit of their proposals.

It is also clear that the development of new markets for microfinance is going to require guidance and a vision, and that development particularly at “bottom of that pyramid

⁷⁰ Fomo, Eric Vincent. “Isaac Ngoum- ‘La microfinance doit insister sur la bonne gouvernance’”. Cameroon Tribune. 21 April 2009.

⁷¹ “Recommendation for the Improvement and the Diligent Enforcement of the Institutional and Regulatory Framework for Microfinance in Central African Countries”. International Law Development Association. Yaounde, 2007. (Fact Three)

⁷² *Ibid*, (Fact Four).

will continue to require support...to bring new clients on the radar screen... [and] to pilot new processes and products”⁷³. The demand side, meaning increasing the number of microfinance clients and the knowledge of those clients, is a key factor in the future of microfinance⁷⁴. Education, in fact, was cited as a specific limiting factor of microfinance development and MC² efforts. The problem is two-fold: one, the general comprehension by the community of financial services and the role of banks is not conducive to the introduction of these financial resources into the community; and two, in certain areas, the population does not understand that its they, themselves, that must develop their own community*⁷⁵. Both of these facets of education could be undertaken by the microfinance firms themselves, like those that ADAF runs for the MC² network, or they could be undertaken by the state in a country-wide effort to encourage effective participation in microfinance development efforts. The problem, therefore, is not a lack of ability to educate, but a lack of a clear division of responsibility or a lack of communication between the state and the microfinance sector on who is responsible for which aspects of the sector. The solution to this problem then lies in either creating a clear division of responsibilities, perhaps in a written document to be agreed upon by all microfinance institutions when they are officially chartered by the state, or in opening an official channel of communication between the microfinance institutions in Cameroon and the state on issues such as this to which responsibilities fall on whom.

There are also obstacles cited by ADAF that are clearly within the realm of state governance. One obstacle is infrastructure, both physical and technological. MC²s are in rural areas because that is where the most need lies, and oftentimes one MC² serves a large area; in the Extreme North, for example, there are clients that are a three-hour motorcycle ride

⁷³ Triodos Facet/MicroNed. “Trends in Microfinance 2010-2015”. www.triodosfacet.nl. May 2009. (5)

⁷⁴ *Ibid*

* Original Quote : « Dans certain zones, les gens ne comprennent pas que c’est eux-mêmes qui doivent se développer »

⁷⁵ Tchomobe, Pierre. Secrétaire Exécutif Adjoint, ADAF. (See Works Cited for full information)

away from the MC²⁷⁶. This is not entirely a function of the distance however⁷⁷. The roads are in such bad shape that a 90 kilometer stretch can take over 6 hours⁷⁸. This is not conducive to anything but the most basic financial interactions, such as deposits or withdrawals, and limits the ability of the MC² to effectively institute community outreach activities or formation activities. Even if the MC² offered weekly financial management courses, for example, three hours by moto over bad roads is a strong deterrent to participation. Roads also affect the ability for microfinance clients to generate revenue to pay back their loans. Without the ability to send goods to market or to get to their fields, the borrowers are unable to sell their goods and unable to pay back loans, crippling rural microfinance efforts.

Consistent access to electricity is also a very important issue in the creation and continuation of microfinance services. Cameroon, after the Democratic Republic of the Congo, has the largest potential for electrical power, but the power supply is frequently cut without notice to conserve energy for the week or month ahead. This not only interrupts daily business activities and access to information, but Pierre Tchomobe adds that there are seminars planned with practitioners and academics coming in from all over the country, and the entire plan for a day or a weekend is unaccomplished because there is no power for presentation tools, laptops, or lights⁷⁹. With workers unable to meet, share experiences, and improve on existing practices, there is no investment in human capital, leading to an overall stagnation of knowledge in the field.

Technologically, the limited supply of information technology is a hugely damaging⁸⁰. Any financial institution requires exact data entry and tracking abilities, and microfinance especially so. With short-term loans being one of the largest offerings of microfinance institutions, there is even more data to collect within a short time period, and with savings and

⁷⁶ Personal Communication, Peace Corps Volunteer.

⁷⁷ Informal Interview, MC2 President. (See Works Cited for full information)

⁷⁸ This particular example is encountered between Yaoundé in the Central Province, and Ngaoundere, in the Adamaoua province.

⁷⁹ Tchomobe, Pierre. Personal Interview (See Works Cited for full information).

⁸⁰ Tchomobe, Pierre. Personal Interview (See Works Cited for full information)

loans representing large portions of clients' wealth, losing track of assets becomes proportionally catastrophic. Without computers, this information is all kept on paper and all calculations are done by hand. This obviously increases the chance for human error and adds unnecessary risk: physical material is much more easily lost or damaged than computerized information. Additionally, inconsistent Internet access limits the ability of MC²s to take full advantage of the strengths of a network⁸¹. As of now, it is difficult to ensure transfer of funds from MC² to MC², because there is no way to send the money, nor any way of confirming the receipt of funds, and well as making communication difficult. This limits the ability of the MC²s to expand and strengthen their network. Meanwhile, attached to the Chad-Cameroon Pipeline, there is the technology that would allow widespread Internet access for Cameroon⁸², but the government has not made the proper infrastructure investments. The lack of access to technology and Internet falls squarely in the hands of the government and their inability or unwillingness to secure existing technology for its businesses.

Finally, corruption is an issue cited by almost everyone questioned about microfinance and governance. With officials demanding bribes to accept microfinance applications, widespread theft, and general mistrust of government workers, it is not only difficult to have successful microfinance, but it is nearly impossible to build the necessary communication channels and partnerships to take microfinance to the next level. Microfinance firms should not have to account for bribes in their budgets and minimum capitals.

III: Recommendations

While the idea of regulation is a strength, the actual rules are difficult to read and interpret. Therefore a first step for the Cameroonian government would be to either simplify the regulations or publish a summary text to be used universally by all microfinance

⁸¹ *Ibid*

⁸² As told by the World Bank

institutions, distribute this text, and offer annual seminars on the implications of each regulation and restriction. This would also offer an opportunity for self-examination and revision, and a forum to hear problems with the laws from those that are most affected. There is also a difficulty in the state possessing both room to interpret the regulations and the ability to liquidate firms. This dual power allows little room for error in microfinance. While exactitude and regulation is a positive aspect of governance, arbitrary decisions and unclear laws are problematic, especially combined with the power to liquidate firms that do not abide by those regulations. Perhaps ANEMCAM having to approve all liquidations would be an effective countermeasure.

To address other problems they see as severe, ADAF suggests three actions for the government to take: address problems inherent in the judicial system, increase educational and formational efforts, and support to microfinance institutions giving longer-term loans. The judicial system as it stands allows debtors to bribe officials to avoid punishment, and creates a culture where individuals apply for microfinance loans with no intention of paying the loans back. Allowing better enforcement efforts would directly impact default rates and MC² profits. Better educational efforts, as already addressed, would both decrease default rates and increase the number of individuals able to effectively use microfinance services. Support of longer-term loans directly addresses a government critique of microfinance institutions: they are ill-equipped to address the needs of farmers who are beginning an enterprise, severely limiting the reach of microfinance as far as agriculture is concerned⁸³. A rubber plantation, for example, takes four years to produce a profit, and, currently, microfinance institutions are not able to handle loans of that magnitude for that extended period of time. ADAF suggests the state work in conjunction with ANEMCAM to underwrite part of these higher-risk, longer-termed loans.

⁸³ Ongolo, Maximin : Sous-Directeur de la Microfinance. Personal Interview (See Works Cited for full information)

This last point is indicative of a larger problem that exists between state governance and microfinance institutions. This problem has two main aspects: one is the ‘blame game’ that is played, and another is the potential for over-reliance. The Sous-Directeur of Microfinance explicitly mentioned the inability of microfinance institutions to lend in the long-term as a weakness of the industry and a problem that needs to be solved, but ADAF believes that it is the government’s responsibility to help support the viability these loans. Combined with the example of demand-side education, a pattern emerges: the government and microfinance sector often agree on the problems that exist, but then neither one does anything about the problem and instead claims that it is the responsibility of the other actor to come up with a solution. The ‘blame game’ leads to a stagnation of development efforts of the industry itself, and fosters animosity between the two actors, excluding the possibility for cooperation between two of the most important performers in economic development.

The second aspect of the problem is over-reliance or over-confidence in the industry as a whole. It is clear that microfinance relies on good governance practices to flourish, and that the government acknowledges the importance of microfinance in the fight against poverty. However, in its eagerness to support the new industry, the government seems to shelve its share of economic development responsibility. During the interview with the Sous-Directeur of Microfinance, the emphasis was placed on the development of the microfinance sector almost as a replacement to any Ministry of Finance efforts in the same area. Microfinance cannot and should not take the place of government efforts at development. Without infrastructure, education (general education of the population, such as literacy efforts, is without dispute the domain of state governance), macroeconomic stability, and a clear vision for the general development of a country, microfinance simply empowers individuals into a weak environment in which true success is impossible. Therefore, a danger of the near future could be an over-abundance of faith in the microfinance industry and a laissez-faire approach

to the macroeconomic environment, which is a recipe for frustration and for brain-drain of qualified, empowered individuals to better environments. The seemingly paradoxical combination of over-reliance and laying blame is an indicator of the looming dead-lock in microfinance: the government acknowledges the potential of microfinance, but thinks that by that acknowledgement it has no remaining economic development responsibilities. In reality,

assuring access to financial services by the poorest parts of the population... requires “preparatory action”...teaching skills or helping poor people to generate an initial capital to set up an economic activity and to “appear” on the radar screen of MFIs. Even more basic is fundamental support to assure access to basic education, health and a decent place to live, pre-conditions to graduate poor people out of (extreme) poverty.⁸⁴

The government should not and cannot let microfinance be the only vehicle in the fight against poverty. If this stays the unofficial attitude, microfinance will stagnate and eventually disappear, leaving the embittered poor with one more failed development attempt behind them. The government must take serious steps to tackle the basic problems of absolute poverty by addressing the basic needs of its population in addition to contributing to microfinance efficacy by incorporating microfinance principles into school curriculum, refining the application procedure, and build a comprehensive, clearly defined partnership with the microfinance industry. Only by this dual action and a true fulfilment of their responsibilities to its citizens can Cameroon be truly accomplishing meaningful, sustainable development.

⁸⁴ Triodos Facet/MicroNed. “Trends in Microfinance 2010-2015”. www.triodosfacet.nl. May 2009. (9)

CHAPTER FOUR: EFFECT OF STRUCTURE AND ORGANIZATION OF MICROFINANCE FIRMS ON THEIR PERFORMANCE

I: Strengths

The first strength of MC²s is that they are community owned and implemented, meaning they place themselves where there is true need, and are few other options for savings and loans. The pride that comes with this self-ownership is another form of empowerment of the community, an important aspect of development. Additionally, because of their close relationship with Afriland First Bank, people are reassured as to their credibility, sustainability, and efficacy. The partnership with Afriland also gives co-financing or re-financing of loans and insured savings up to a certain amount, increasing the financial viability of the MC²s⁸⁵.

Theoretically, the idea of organizing microfinance firms into a network is very attractive. Forming a network gives an opportunity to share limited resources, collaborate without competition, and hear from experienced practitioners. Five years ago, the MC²s created a network among themselves which has since helped with many aspects of their social and financial missions. The network can function as a supervisor, helping identify problems or weaknesses in individual MC²s and negotiating group rates on external auditors to assure compliance with accounting norms. It also can buy goods in bulk, such as fertilizer or seed, to aid projects that are happening around the country, and can sell those goods at a reduced price. The headquarters also provides reserves for the bank, meaning each MC² has access to loans if they are in dire financial straits. These loans can help solve liquidity problems or misbalanced ratios, and the bank pays back the loan at below-market-rate interest⁸⁶.

⁸⁵ Hadama, Personal Interview. (See Works Cited for full information)

⁸⁶ The entirety of this paragraph was taken from an informal interview with an MC² President (See Works Cited for full information)

Collaborations like this have the potential to greatly reduce operating costs, hence allowing MC²s to funnel more capital into financial and social development projects.

Linked to the creation of these networks, “it is generally recognized that the development of structures at meso level (credit bureaus, training centres and consultancy services, micro finance associations, local wholesalers) has contributed a lot to a sound development of the M[icro]F[inance] industry. They provide services that make it easier for M[icro]F[inance]I[nstitution]s to manage their risks and that allow to concentrate on their core business”⁸⁷. ADAF fits this definition perfectly. They provide training services, financial audits, and other overseeing functions to allow MC²s to concentrate on their financial services rather than on logistics and technicalities. In fact, a belief held at ADAF is that MC²s do not have the capacity to completely manage themselves, which why ADAF provides the services it does.

However, ADAF does not manage MC²s in their day-to-day activities but rather assures compliance with regulations and prudential norms. To manage the minutiae of 76 microfinance firms under one management organization would be too much, and ADAF would not be able to implement any other projects. The MC²s have their own management structure put in place, made up of an Administrative Council, the Executive Secretariat, and the Council of Elders. The Administrative Council is synonymous to a Board of Directors, and hence handles the macro-management of the micro-bank. These positions are elected at the first meeting of the General Assembly⁸⁸. The Executive Secretariat is comprised of the Secretary-Treasurer, the Accountant, and the Cashier, who work at the MC²s and therefore are occupied with the daily functions and smooth running of the MC²; these positions are hired with consultation from Afriland First Bank⁸⁹. The Council of Elders, a defining characteristic of the MC², is comprised of members of the community who hold social or traditional power;

⁸⁷ Triodos Facet/MicroNed. “Trends in Microfinance 2010-2015”. www.triodosfacet.nl. May 2009. (4)

⁸⁸ Hadama, Personal Interview (See Works Cited for full information)

⁸⁹ *Ibid*

there are no more than 14 members. The council wields significant power in the West and North where often traditional authorities, like Bamileke chiefs and Muslim lamidats, hold influential positions on the council and in the community. If individuals default on their loans, Council of Elders can exert powerful social pressure, including exiling people from the community or forbidding them to bury their family in village grounds. In certain cases, the Council of Elders can also correct corrupt decisions passed down by the judicial system by acting not on the decision of the court but on their own judgement. For example, if someone secures a cancellation of debt by bribing an official, the Council of Elders can still act as though that debt was not forgiven and take social action. Additionally, the Council saves money because there is little need to go through the judicial system when social pressure works so effectively⁹⁰.

II: Obstacles

Specific to MC²s, there are governance issues at all levels of management: the Board of Directors, the Executive Secretariat, and the Council of Elders. A governance obstacle that starts from the very beginning is the endowment of the community elites with privileges that can create conflicts of interest later. Because MC²s do not receive any outside funding from the government and they want the banks to be community-owned, when the community wants to create an MC², they call on the Elites to produce the initial capital investment. The Elites of each village are those who have had some measure of economic success either within the village or outside, and are therefore expected to give back to the community and aid its development. The Elite fund the initial capital required to create the MC², are given shares in the cooperative, and are frequently elected to the Board of Directors. Additionally, to begin the flow of capital, they take out the first loans. These are usually large loans, and for the

⁹⁰ Information on relationship between MC²s and the MC² Council of Elders are all drawn from: Tchomobe, Pierre. Personal Interview (See Works Cited for full information).

beginning months, the interest on these loans constitutes the majority of the banks revenue potential. However, for one reason or another, these loans are rarely paid back, so that potential is unrealized. Plus, the enforcement of repayment is made more complicated by the fact that the Board is made up primarily of Elites themselves, who have very little interest in enforcing payment on loans that they hold⁹¹. Therefore, one of the primary functions of the Board of Directors is undermined from the very beginning of the creation process.

Further problems have been encountered with the Board of Directors. Because the COBAC regulations limit the amount of shares that can be held by any one person and the total that can be held by the management councils, often Presidents or Members of the Board will use corrupt means to secure funds from the MC²s. For example, the President will get his friend to take out a loan in that friends name with the express intention of giving the money to the President. The friend will be under the impression that it is the President's responsibility, but the President cannot pay it back because the loan is not under his name, an intentional maneuver by the President⁹². The microfinance institution then has the triple-problem of having the President using the institution for personal funds, the President indirectly owning more than his legal share of the institution, and the institution never getting the loan paid back because the original applicant does not have the funds or refuses to pay back a loan he never benefited from.

Furthermore, there are examples of Presidents not living in town in which the MC² is based. This severely limits the capacity of the Board of Directors or other management structures to implement changes or react to immediate problems. Also, the President must be present at General Assembly meetings, where members meet to grant loans. If the President is not present for months at a time, there cannot be loans granted, and there cannot be any profit-generating activity, let alone poverty alleviation. An MC² worker elaborates:

⁹¹ Beighle, James. Personal Interview. (See Works Cited for full information)

⁹² Tchomobe, Pierre. Personal Interview. (See Works Cited for full information)

I think not having them [General Assembly meetings] creates a lack of trust in town, and a lack of understanding of the MC²'s services and operations. To me, it further reinforces the idea that the MC² is like any for-profit entity. The lack of GA meetings reduces transparency, and the chance for people to give their ideas or feedback. They might as well join a for-profit bank where at least the services surpass those we offer at the MC². (Credit for Sahel, for example, is the local competition...Credit du Sahel is more for-profit, but has correspondingly better services, and is where I keep my personal account!)

Lack of trust or understanding, and a lack of transparency affect the ability of the microfinance firm to affect the people it needs to reach. As previously mentioned, transparency has the potential to attract investors and increase faith in the institution, increasing the amount of people who will take advantage of the offered services. Lack of personal involvement in the institution limits emotional investment, which in turn limits loyalty and involvement in the institution. All of these factors harm the ability of the MC² to retain their clients, reach new clients, and achieve their stated goals.

At the level of the Executive Secretariat, the daily work of an MC² seems to overwhelm the regular staff of three. This not only means that important responsibilities get put off, like budgets and weekly reports⁹³, but that MC²'s have difficulty finding time to perform community outreach: James Beighle states "they have a social mission...they have a clear social mission, but they're not really doing much with it. They need to focus on it more"⁹⁴. This is precisely the reason why the Peace Corps is slowly phasing out its involvement with MC²'s: he phrases it as:

there's nothing within that structure that says 'let's go out into the community and market our services and give loans to the poor', so they don't, they just sit there and act like a traditional bank...so there's no connection between the bank and the community, other than the customers that come in and those customers tend to be fairly wealthy comparatively speaking to the population at large so they're not necessarily the target audience that Peace Corps wants⁹⁵.

It takes three to five years for an MC² to become financial viable and it takes more after that to accumulate a large enough profit to engage in outreach projects⁹⁶. Hence, MC²'s move

⁹³ Peace Corps Volunteer, Personal Correspondence

⁹⁴ Beighle, James. Personal Interview (See Works Cited for full information)

⁹⁵ Beighle, James. Personal Interview (See Works Cited for full information)

⁹⁶ Hadama. Personal Interview (See Works Cited for full information)

through a financial phase and then a social phase⁹⁷. This disconnect between the economic function and the social mission of the firm is a big problem because social missions are one of the defining characteristics of microfinance firms. An experimental program in Njinikom, implemented with a grant from Plan International, hired field agents for outreach work to try and address this issue. The agents identify potential savers to participate in a group account and, Monday through Friday, visit each participant to collect savings of at least 200 FCFA; savings is not mandatory each day. Two times a month, the participants are able to withdraw without charge from the account, and once a month, the bank withdraws a 4% fee from the account. The end goal is for 60% of the fee to cover the salary of the field agents, and the remaining 40% goes to the MC² to help cover the costs of the program⁹⁸. In this way, the field agents would not only be providing financial services, but educating the population and encouraging savings for community capacity building.

Unfortunately, in order for the program to break even, the Field Agent would need to consistently have 700,000 FCFA in the group account⁹⁹. Assuming every participant in the group program saves the minimum everyday, it would take 175 individuals to initially make 700,000 FCFA, with no withdrawals the first month. That is a lot of outreach in one month, especially in the small communities that MC²s are working with. However, with communities who already have large groups formed, there is the potential for success, and actively encouraging savings is an excellent first step to elevation out of poverty, but there is currently no assessment methodology to see if indeed the MC²s are having an impact or whether they would have a larger impact with field agents. This is a problem both in measuring current success and determining progress in the future.

An additional problem with the staff of three is that theft is common. This illustrates an important point, that corruption is not just offering bribes for services, but it also includes

⁹⁷ Informal Interview, MC2 President. (See Works Cited for full information).

⁹⁸ Ristroph, K. Fleurange. *Replicating Profitable Programs in the MC²s*. August 2009

⁹⁹ *Ibid.*

theft and misuse of funds. Numerous examples were cited about cashiers, accountants, and even Presidents of the Board stealing money, and there have even been cases where ADAF has detected entire staffs engaged in fraudulent activities. Consequently, MC²s have had branches temporarily shut down because the whole staff has been fired¹⁰⁰.

Concerning the Council of Elders, the combination of social pressure and management works well in situations where there is an understanding between the financial and technical workers and those with traditional power. Unfortunately, often there is disequilibrium in favour of the Council of Elders. For example, at one MC², there is the President of the Board of Directors, mayor of the town, and a traditional chief. He refused to step down from his post as President after his term expired, but with his compounded power and traditional status, no one is considered his equal. In this situation, “you have culture and tradition bumping heads with rules and regulations from this institution, so who’s going to tell him, in the community...to go...”¹⁰¹ This compound power is frequently found in small villages where there are one or two people who have moved away and become very successful and come back to the village. There is a “tendency here [in Cameroon] to defer to ‘the big people’ in town, even when they do not merit such confidence”¹⁰².

ADAF in general seems to want to take a hands-off approach to these governance issues. They were candid when asked about governance issues and described their role as a last-resort mechanism when problems get out of hand or when the problems go undetected by the individual MC²s¹⁰³. This seems neglectful. ADAF has the capacity to discover problems otherwise undiscovered by the individual institutions, so it seems that either more frequent monitoring should be going on, or monitoring should be built into the MC² model.

¹⁰⁰ Beighle, James. Personal Interview (See Works Cited for full information)

¹⁰¹ Beighle, James. Personal Interview (See Works Cited for full information).

¹⁰² Peace Corps Volunteer, Personal Correspondence

¹⁰³ Tchomobe, Pierre. Personal Interview (See Works Cited for full information)

Finally, at a macro level, ANEMCAM is ineffective in its role of providing a counter-lobby to the government and facilitating microfinance formation opportunities. Since its inception, there have been no professional seminars or conferences organized by ANEMCAM, and there have been no revisions to microfinance policy despite the problems previously discussed¹⁰⁴. Just as there are advantages to organizing microfinance firms into a network, there are great advantages to organizing microfinance firms into a lobby. It is crucial for the government and the microfinance firms to be able to communicate and have fruitful discussions, and this cannot be if there is no united entity with whom the government can engage.

III: Recommendations

To address these problems of governance in the MC²s, there are several levels of action: individual MC²s, ADAF, and the microfinance sector generally in Cameroon. On the level of individual microfinance firms, the first is to set up a mechanism to measure the impact of poverty reduction efforts. This would help the evaluation of specific firms and expose further areas of improvement. Secondly, it is necessary to create a no-tolerance environment for theft and misdirection of funds. In this way, the social power can work greatly to the advantage of MC²s. The Council of Elders in each town can publish a condemnation of corruption as a direct attack against the community, for example. Also, a revised code of ethics would also help. Right now, the Code is general to the extreme¹⁰⁵. While it is an important first step to institute ethics as a concern in business, the next step is to create a culture around ethics, and citing specific violations in the code of ethics is beneficial to deterrence and enforcement practices. Finally, MC²s should continue to look for opportunities to expand their social mission. By involving more members of the community

¹⁰⁴ Tchomobe, Pierre. Personal Interview (See Works Cited for full information).

¹⁰⁵ Beighle, James. Personal Interview (See Works Cited for full information).

and opening up forums for discussion of helpful services to offer, there is increased opportunity for a true social impact.

At the level of ADAF, the largest contribution that can be made is to train more people to be able to work and contribute at MC²s. This would have a three-fold impact: increased employment in the community, directly working towards elevating the population out of poverty; less workload on each individual at the MC²s, increasing their efficacy and impact and freeing their time to design social outreach projects; and less power concentrated in each person's hands, meaning a reduction in the possibility of theft or misdirection of funds. Additionally, there is a possibility that this could help address the high concentration of power among a few individuals. By involving others in the community and having a President of the Board who is different from the mayor and the traditional chief, there could be a balance between social culture and financial regulations.

There also must be an effort to re-evaluate the management structures of the MC²s and address the specific issues that exist at each MC², either case by case or by creating a mechanism for each MC² to do it themselves. ADAF, as an impartial observer and the expertise in accounting and supervision, has the potential to detect and solve many more problems than the individual MC²s have, and therefore has the increased responsibility to fulfill these duties. They cannot expect the community to completely develop themselves, as they have stated, without outside instruction and guidance. Without a larger vision guiding individual efforts, those individual efforts can become redundant, misguided, or cyclical. Just as the government must form a clear vision of development for the country, organizations such as ADAF must form a clear vision for the development of their institutions to more effectively support and direct the poverty alleviation efforts.

Finally, at the macro level, the microfinance institutions must organize themselves into an effective, organized lobby to counter any obstacles posed by government regulations.

Without equal presence in the dialogues between the government and the microfinance sector, the government can take advantage of its power and act only in its own interest. The microfinance firms must be able to represent themselves or there will never be a constructive environment for microfinance to flourish. The regulations will never change without a reason, and the government will not know what actions to take to improve the general environment or the general operating atmosphere for microfinance without any input from the industry. Whether this organization is a reinterpretation of ANEMCAM or there is a separate organization set up, this lobby is necessary to the continued and future success of microfinance.

However, there is also much for other microfinance organizations to learn from the MC², Afriland, and ADAF partnership. The combination of field work of the MC²s, the technical assistance and training provided by ADAF, and the financial backing and guidance given by Afriland allows each organization to fulfill its purpose without needlessly concerning themselves with extraneous information or areas in which they have no expertise. An interesting aspect to explore would be the benefits of linking other commercial banks with microfinance institutions to see if that does in fact affect the perception of the microfinance institution and therefore increase their efficacy. Afriland and ADAF certainly offer advantages to MC²s and, with the implementation of an impact-evaluation mechanism, it would be possible to see to what extent instituting these partner organizations could affect the efficacy of other microfinance institutions.

CONCLUSION

In summary, there are actions that can be taken by both the government and the microfinance institutions themselves to increase the efficacy of microfinance in Cameroon. By encouraging participation in micro-credit activities, sensitizing the target market to the benefits and proper management of microfinance, and increasing the general health of the operating environment for the microfinance institutions, the government can properly augment the potential of the industry to continue to fulfill its economic and social mission. By changing management structures, emphasizing transparency and accountability, and increasing internal auditing and monitoring capabilities, microfinance institutions can put management structures in place which are more conducive to larger-scale operations and increased ability to reach the poor. But what is most important is for both sides to take a realistic approach to the responsibilities that come with their respective duties and to work to fulfill those responsibilities. In the end, the goal of development should take precedence over all, and it should be understood that all recommendations in this paper have been made with that end in mind.

It should also be considered that governance should be a value in and of itself. There can be arguments made in favor of good governance because of efficiency and other quantitative or qualitative criteria, but in the end good governance practices, like good principles, should ideally be valued for their very nature. Therefore, the first problem to be addressed, and perhaps the most difficult, is to understand why good governance is not happening in the current environment, and create a culture around valuing good governance for itself and not for what it can do.

Microfinance is simply a vehicle for financial and economic development; it should not be deified or worshipped as the solution to all the world's woes, particularly with all the governance difficulties it is currently experiencing. It is far from being perfect, and far from

perfectly fulfilling its potential. But, for MC²s, the smallest steps will have the largest consequences, and addressing problems in governance is not a Band-Aid solution, it does not treat the symptoms of microfinance or of the governmental inefficiency. Instead, it addresses the sources. All governance changes will not only increase current efficiency, but will exponentially increase the ability of the micro-banks to alleviate poverty. This combined with an increased emphasis on development from the government will foster sustainable changes in the basic economy of the country, and, hopefully, begin to encourage good governance as a principle, and not just for the end it provides.

WORKS CITED

ADAF. “The MC² Model: a community-based approach”. (Inquire at ADAF or Afriland offices for copies of literature).

Anonymous, Peace Corps Volunteer at MC². Personal Correspondence (email), 17 November 2009.

Associated Press. “Text of President Obama’s Speech in Ghana”. 2009.

Banking Commission for Central African States. “CEMAC Regulation Relating to the Conditions Governing the Exercise and the Control of Microfinance Activities”. *Texts Relating to the Exercise of Microfinance Activities*. Adopted 26 January 2002.

Barr, Michael S. “Microfinance and Financial Development”. *Michigan Journal of International Law*. Volume 26:271, 05 March 2005.

Beighle, James: Associate Peace Corps Director, Small Enterprise Development. Personal Interview, Peace Corps Office. 17 November 2009, 14:00. (jbeighle@cm.peacecorps.gov).

“Cameroon”. CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook>. 2009.

“Cameroon Statistics”. Rural Poverty Portal. www.ruralpovertyportal.org. 2006.

Esaie, Atiock Lom : Contrôleur des Etablissements de Crédit et de Micro Finance. Personal Interview, MINFI Batiment B, his office. 12 November 2009, 12:30. (Mobile: 77 73 50 15).

Feffer, John Ed. “Foreign Policy In Focus: Sam Daley-Harris, Robert Pollin, and Felicia Montgomery” www.fpif.org. 21 June 2007

Fomo, Eric Vincent. “Isaac Ngoum- ‘La microfinance doit insister sur la bonne gouvernance’”. Cameroon Tribune. 21 April 2009.

Hadama, Jean-Charles: Director of Microbank Activities, Afriland First Bank. Personal Interview, Afriland First Bank Office. 2 December 2009. 09:00. (Mobile: 99.41.75.21)

Hubka, Ashley and Rida Zaidi. “Impact of Government Regulation on Microfinance.” Prepared for the World Development Report 2005: Improving the Investment Climate for Growth and Poverty Reduction.

Le défi des pauvres : Modèle MC2: Une approche endogène de développement. Vol 13 : November 2008.

Ongolo, Maximin : Sous-Directeur de la Microfinance. Personal Interview, MINFI Batiment B, his office. 24 November 2009, 13:00. (Mobile: 77 76 63 52).

Pollin, Robert. “Microcredit: False Hopes and Real Possibilities” www.fpif.org. 21 June 2007.

“Recommendation for the Improvement and the Diligent Enforcement of the Institutional and Regulatory Framework for Microfinance in Central African Countries”. International Law Development Association, et al. Yaounde, 2007.

Ristroph, K. Fleurange. *Replicating Profitable Programs in the MC²s*. August 2009

Susan: President, MC² Microbank. Informal Interview, Afriland First Bank Office. 2 December 2009. 10:00.

Tchomobe, Pierre: Secrétaire Exécutif Adjoint. Personal Interview, ADAF Headquarters. 16 November 2009, 16:30. (Mobile: 77 71 31 18)

_____. 18 November 2009. 08:15.

_____. 23 November 2009. 11:30.

_____. 29 November 2009. 14:00.

Thomas, Jeanette. “Management weakness is the greatest risk facing microfinance, says new 'Banana Skins' survey” www.cgap.org 14 November 2009.

Triodos Facet/MicroNed. “Trends in Microfinance 2010-2015”. www.triodosfacet.nl. May 2009.

UNESCO. “Overcoming inequality: why governance matters”. EFA Global Monitoring Report 2009. UNESCO Press: Paris, France. 2008.

Wessling, Ann. “Note from CAPAF: Improving Microfinance Governance” www.microlinks.org. 30 November 2007.

Zangue, Edouard. “Contribution du Contrôle Interne à la Performance Économique et Sociale des Établissements de Microfinance au Cameroun: these pour le Doctorat en Sciences de Gestion”. University of Yaounde II, July 2009