

Training Manual: The Basics of Financing Agriculture

Module 1.4 | Financial Sector Trends

Acknowledgement

The Agriculture Finance Training Manual is part of AgriFin's Agriculture Finance Training Tools. The Manual was developed by [IPC](#) - Internationale Projekt Consult GmbH as part of AgriFin's technical advisory project for Cameroon Cooperative Credit Union League ([CamCCUL](#)).

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Session Overview

LEARNING OBJECTIVE	Agriculture Loan Officers (ALOs) should be aware of and understand domestic financial market trends in order to successfully execute financing decisions. Using the case of Cameroon, financial officers can inform themselves of key indicators that help with investment decisions in a developing market.
SCOPE	By the end of this presentation, the session will provide: <ul style="list-style-type: none">• Macro-economic trends that may influence decisions on investing in agriculture• Policy and governance framework of financial institutions in the country• Status of microfinance in the domestic market• Major financial products currently offered to the target clientele
TARGET	Agriculture loan officers, trainers, agriculture experts with limited financial analysis training, and other professionals interested in agriculture financing
DURATION	1 hour



Content

1. Overview of Economic Trends
2. Financial Sector Structure
3. MFI Regulations and the Market
4. Overview of Financial Products offered



1. Overview of Economic Trends

- GDP growth: 3.5% on average for 2002-2007
- GDP distribution
 - 44% services
 - **19% agriculture**
 - 19% manufacturing
- 19.8m population (*about 70% directly or indirectly involved in agriculture*)
- Cameroon is responsible for 70% of agricultural exchanges in Central Africa
- Rural population: 50%
- Population living below the poverty line: 40%

- Less than 4% farmers obtained formal agriculture credit in 2011
- Most MFIs focus purely on urban financing
- Majority of ag financing is via government supported supply-side measures and credit subsidies



2. Financial Sector Structure

Structure:

- Largest financial sector: Economic and Monetary Community of Central Africa (CEMAC) accounts for ~50% of regional financial assets
- 11 commercial banks, mostly foreign owned, highly concentrated (3 hold 50% of sector assets, and 55% of deposits)
- 2 government-owned specialized financial institutions
- Over 656 microfinance institutions in 2000, and 490 MFIs in 2006 with around 850,000 clients/members
- 1980s: banking crisis

Characteristics:

- Excess liquidity of financial institutions
- Less than 5% of the population is banked
- But many of these are under-banked:
 - only basic account types available
 - loans are only short-term



3. MFI Regulations and the Market

490 MFIs operate in Cameroon of which 52% operate in urban areas (as of 2006)

- Estimated number of accounts: 1.5m
- Category 1 MFIs: accept savings and extend loans only to their members
- Category 2 MFIs: accept savings and extend loans to members and non-members
- Category 3 MFIs: Extends loans to general public



4. Overview of Financial Products offered

Savings accounts:

- Purpose: to save money over a longer period of time
- Remuneration: interest rate

Current accounts:

- Purpose: transactional account
(e.g., receive salary, money transfers, etc.)
- Remuneration: very little or nothing

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