Finance for All: Promoting Financial Inclusion in Central Africa

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Session 4: PROMOTING FINANCIAL INCLUSION: BEST PRACTICES

BOOSTING ACCESS TO MICROCREDIT FOR DISADVANTAGED GROUPS, THE CASE OF FORSEGD IN THE REPUBLIC OF CONGO

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Outline of the presentation

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1- Background

- In 2005, 50.7% of the population was below the international poverty line (with higher levels in rural and semi-urban areas).
- The employment situation shows a: (i) high unemployment rate among young people of between 18 and 29, around 31% (ii) significant mismatch between supply and demand.
- As Congo is classified as a post-conflict country, in May 2006, the African Development Fund (ADF) provided a grant for the implementation of a Support Project for the Socio-economic Reintegration of Disadvantaged Groups (PARSEGD), placed under the umbrella of the Ministry of Social Affairs, in partnership with the line ministries of finance, health, technical education, SMEs, and the promotion of women.

I - Background (cont'd)

- PARSEGD structures its implementation around the "4Ps" strategy developed by the MASAHS:
 - Prevention of social risks
 - Protection and providing for vulnerable population groups
 - Promotion of self-sufficiency in vulnerable population groups

FORSEGD falls under the promotion of self-sufficiency in vulnerable population groups

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11 - Presentation of FORSEGD

The aim of the Fund for Socio-economic Reintegration of Disadvantaged Groups (FORSEGD) is to facilitate access to microcredit for disadvantaged persons unserved by the traditional banking system.

The shareholders of FORSEGD are:

- The government (through the Ministry of Finance and the Ministry of Social Affairs)
- The Brazzaville Chamber of Commerce
- MFIs
- SMEs
- NGOs

The bodies of FORSEGD are: the General Assembly, the Board of Directors, and the General Management team

These bodies are supported by the auditor general and the guarantee committee

III. Activities undertaken prior to the implementation of FORSEGD:

Capacity building of MFIs to sensitize them further to their social mission through:

- The training of 350 officers and employees of 18 microfinance institutions
- The training of 64 officers and employees of MFIs to use the loan performer software program
- The training of over 4,000 candidates from vulnerable groups
- Providing 125 computers and 35 Loan Performer software licenses to MFIs
- Making available CFAF 471,000,000 to 13 microfinance institutions to increase their lending capacity.

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IV- From identification to the financing of candidate projects

- **Phase 1:** Identification and selection of candidates of Congolese nationality by the Social Action Districts (CAS)
- **Phase 2:** Training of candidates in business management through the FORSEGD Technical Unit, the Youth Business Forum of Congo (FJEC), or the CAS with respect to the microcredit program
- **Phase 3:** Assignment of the candidates to the various CAS tutors
- Phase 4: Coaching and preparation of the financial presentation (Business Plan or Project Information Document) by the FJEC, the tutor, or the beneficiary with the assistance of the FORSEGD technical unit

IV- From identification to the financing of candidate projects (cont'd)

- **Phase 5:** Signature of an inclusion contract by the CAS and the candidate
- **Phase 6:** Submission of the file to the MFI for appraisal and financing
- **Phase 7:** Analysis and opinion of the FORSEGD guarantee committee on projects approved by the MFI
- **Phase 8:** Ongoing support for the candidates with respect to repayment of the loan and management of the micro enterprise by:
 - the tutor from social affairs
 - the loan officer of the MFI

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V – Project financing conditions

Eligible candidates must meet the following conditions:

- Be identified and recognized by the social services as a person in a precarious situation
- Have signed a support and social integration contract with social services
- Submit an acceptable and bankable project
- Comply with the follow loan characteristics:

V - Project financing conditions (suite)

Loan amount:

- o CFAF 25,000 CFAF 500,000 for integration projects by the AGRs
- CFAF 250,000 CFAF 1,000,000 for projects for the creation or development of VSEs/SMEs (candidate to be self-employed)
- CFAF 500,000 CFAF 5,000,000 for projects from potential entrepreneurs and ex-combatants for the creation or development of SMEs
- o CFAF 2,000,000 CFAF 30,000,000 for groups

Duration: 1 to 20 months **Grace period:** 1 to 6 months

Repayment terms: weekly or monthly

Interest rate: 2 to 3% per month

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VI-Innovations in the FORSEGD arrangements

- Public-private partnership
- Fair and respectful treatment of candidates with mechanisms for dispute settlement through the CAS
- Provision of support to MFIs (refinancing and 50% risk coverage)

Risk sharing

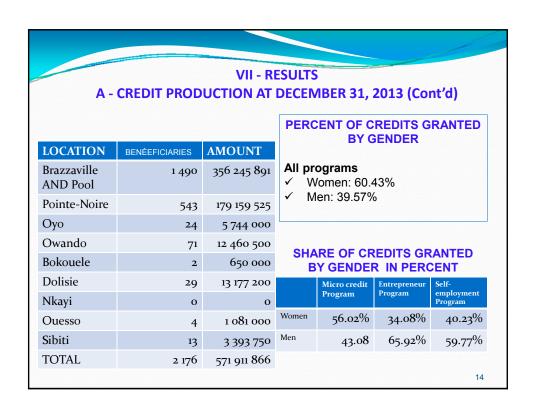
50% covered by FORSEGD

50% covered by the MFIs

tutor

- Preparation of small projects with the support of the tutors
- No cash collateral is required: the candidate must have one or two character witnesses rather than a guarantor
- Softening of the conditions for access to credit

A – CREDIT PRODUCTION AT DECEMBER 31, 2013				
LOCATION	Microcredit Program	Entrepreneur Program	Self- employment Program	Total
Brazzaville et Pool	232 631 990	106 421 981	17 191 920	356 245 891
Pointe-Noire	109 722 975	55 430 000	13 156 550	179 159 525
Oyo	2,000 000	3 744 000	0	5 744 000
Owando	12 460 500	0	0	12 460 500
Bokouele	650 000	0	0	650 000
Dolisie	3 849 700	9 327 500	0	13 177 200
Nkayi	О	0	0	0
Ouesso	1 081 000	0	0	1 081 000
Sibiti	3 393 750	О	0	3 393 750
TOTAL	364 708 915	175 023 481	30 348 470	571 911 866



B – SUCCESS STORY IN THE CONTEXT OF THE FORSEGD INITIATIVE FROM LOUINGUI IN THE DEPARTMENT OF POOL

- Population of the District of Louingui: 10,553 residents. (RGPH-2007)
- Population of Louingui Center: 6,000 residents.

Partner: WOMEN'S SAVING AND LOAN MUTUAL FUND (Louingui)

- With the support of FORSEGD, the fund set up in Louingui and started operating on January 10, 2012
- Resources transformable into FORSEGD loans: CFAF 60,000,000, at 12/31/2014
- o Members: 447 in 2014, an increase of 62.19% from 2012 to 2014
- Current savings: CFAF 110,831,473, that is an 82.79% rise from 2012 to 2014
- o Average savings: CFAF 247,945 in 2014
- o Loan production: CFAF 168,397,655 from 2013 to 2014, that is, 99.99% growth in one year
- Reimbursement rate: 98%

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B - SUCCESS STORY IN THE CONTEXT OF THE FORSEGD INITIATIVE FROM LOUINGUI IN THE DEPARTMENT OF POOL (cont'd)

Sectors of activity financed: 75%, agricultural sector (market gardening, tree planting), 17%, livestock sector (poultry, pig farming, fish farming,), 8%, commercial sector

- 7,000 laying hens with a 90% laying rate
- 45 Kits (motor pump, sprinklers, suction et discharge pipes)
- 4 cultivators
- o etc.

Constraints

> Of a general nature:

- Reluctance of MFIs to grant loans to extremely poor people
- Absence of MFIs in rural areas where poverty rates are very high
- -Imbalance between the commercial mission and the social mission of MFIs to the advantage of the commercial mission

Of a specific nature:

- Insufficient production of cattle feed

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Proposals

- Establish a seed fund that could provide subsidies to the very poor
- ➤ Boost agricultural production in disadvantaged rural areas to attract MFIs

BY WAY OF CONCLUSION

In our country, the informal sector is a significant source of job creation. Thus, social inclusion of the poor is a major precondition for successful diversification of the economy in line with the strategy launched by the President of the Republic.

The implementation of a non-contributary social protection policy, encompassing health, education, training, apprenticeship and job creation, will help create opportunities for those who have so far been excluded to contribute to the growth of the economy.

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CONCLUSION continued)

Further, it would be worthwhile to hold periodic, high-level meetings on financial inclusion policies in our sub-region.

Lastly, financial inclusion best practices need to be documented, and widely disseminated, including in institutes that provide training to economic and social development officers and personnel in Central Africa.

Thank you for your attention.