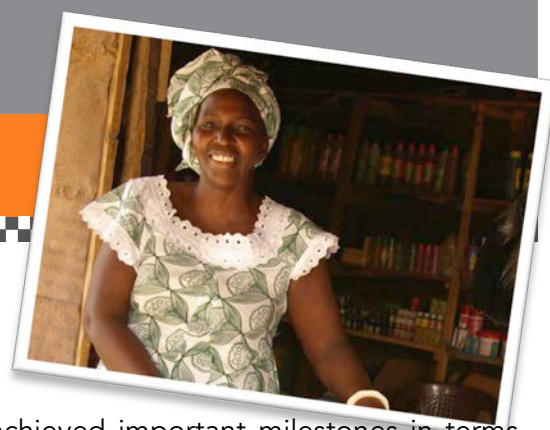


# PEP impact brief

## Cameroon

Macroeconomic implications of female entrepreneurs facing financial frictions to access credit

2014-2015



### Project milestones

- May 2014 Participate in intensive PEP training workshop in CGE modeling, Bolivia
- June 2014 Selection of project for PEP support under the PAGE initiative
- Aug. 2014 Presentation at CODESRIA's Workshop on Social Sciences, Cameroon
- Nov 2014 Meeting with World Bank HQ delegation and Cameroon officials to present project
- Nov 2014 Presentation at UNECA's African Economic Conference, Ethiopia
- May 2015 Participate in preparation of WB's Memorandum of Cameroon Economy
- July 2015 Participate in high-level policy meeting to advise Cameroon development strategy
- July 2015 Organize PEP national policy conference in Yaoundé
- Sept 2015 Presentation at 11<sup>th</sup> DYNARE Conference, Belgium

### Context

While the country has achieved important milestones in terms of gender equality, and despite government efforts to promote female entrepreneurship, women's participation in entrepreneurial activities in Cameroon remains very low with only 5% of women becoming entrepreneurs.

It appears that one of the key constraints faced by female entrepreneurs is related to their access to financial services (World Economic Forum, 2014).

The financial system in Cameroon lags behind those in Sub-Saharan Africa and other low/middle-income countries. Due to a lack of viable alternatives (the financial markets are few and inefficient), the system is largely dominated by the banking sector. However, access to banking services remains very low in Cameroon with only 20.7% of the adult population holding a formal bank account. This is exacerbated by the very low bank density in the country (one bank for approx. 50,000 people). As a result, bank lending remains a marginal source of funding with long-term lending constituting less than 1.5% of total loans due mainly to financial frictions.

#### Local research team

**Thierry Kame Babilla**, project leader – CEREG, University of Yaoundé II  
**Sandra Kendo** – CEREG, University of Yaoundé II  
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**Martin Ndzana Eloundou** – CEREG, University of Yaoundé II

#### PEP mentors and trainers

**Kevin Moran**, **Bernard Decaluwé**  
 and **Hélène Maisonnave**

#### PEP publications

Working paper 2016-02  
 Policy brief 125



# Producing reliable evidence base to inform ongoing national policy debates

Despite Government efforts to promote female entrepreneurship, only 5% of women in Cameroon become entrepreneurs

While previous studies on the issue focus mainly on the relationship between gender and inequality, there is no literature emphasizing the macro effects of gender-specific financial frictions.

Using advanced techniques of CGE modeling and simulations (see p. 3), this team of PEP researchers aimed to assess the effects financial frictions faced by female entrepreneurs on macroeconomic performance in Cameroon, as well as on the policies most likely to eliminate these frictions.

## Key findings and conclusions

According to the researchers' analysis, the frictions occur mainly because female entrepreneurs face significant restrictions related to collateral when borrowing from the banking sector.

Their findings also suggest that when the "female sector" (or the sector of female-owned firms, which are relatively more labor-intensive) is granted loans to the same extent as the "male sector" (more capital-intensive) it performs better in terms of value-added in GDP.

Indeed, results from the simulations conducted by the researchers (see table below) show that, if

**Table 1: Top constraints faced by female entrepreneurs**

Constraint factors	% of resp.
Corruption	24
Access to financing	23
Inadequate supply of infrastructure	14
Tax regulations	9
Inefficient Government bureaucracy	8
Tax rates	6
Poor work ethic in national labor force	4
Insufficient capacity to innovate	3.5

financial constraints are "loosened" by 30%, productivity in the female sector will increase by 40% and job creation will increase by 50% (with expansionary effects on the economy). Or, if the level of constraint were to be symmetric and low for both (male and female) sectors, the national economy would see a 5% increase in GDP, a 50% increase in investments and a 60% increase in job creation.

Furthermore, both sectors have complementary roles in sustaining economic activity in the context of economic downturn.

**Table 2: Reactions of economic features (macro effects) to differentiated levels of financial frictions**

	Baseline	Scenario 1	Scenario 2
Macro features / effects	Tight financial conditions in female sector	Financial conditions are "loosened" in female sector	Financial conditions are symmetric and low in both sectors
<b>The female sector becomes more capital intensive</b>			
Share of capital in female production sector	6.31	+ 51%	+ 47%
Share of capital in male production sector	13.03	- 9%	- 8%
<b>The male sector becomes more labor intensive</b>			
Female sector's portion of the economy workforce	0.60	- 25%	- 20%
Male sector's portion of the economy workforce	0.39	+ 23%	+ 22%
<b>Female entrepreneurs consume less and cumulate potential collateral</b>			
Share of female sector consumption over total production	0.047	- 61%	- 23%
Share of male sector consumption over total production	0.031	- 16%	- 12%
<b>Female entrepreneurs' investment capabilities increase towards the level of the male entrepreneurs'</b>			
Contribution of female sector investment to total production	0.080	+ 32%	+ 27%
Contribution of male sector investment to total production	0.10	+ 12%	+ 9%

Source: constructed by authors using MatLab Dynamic Analysis results.



## Building and promoting local expertise for policy analysis in Cameroon

### CGE modeling and policy simulation tools and techniques

In order to produce such evidence, the team developed a computable general equilibrium (CGE) model of Cameroon's national economy, replicating its specific structure, features, constraints, etc. A CGE model is meant to serve as a laboratory to conduct simulations of macro shocks/policies and assess their impact on a variety of outcomes in a given country. This particular model is relatively more sophisticated, involving dynamic interactions as well as financial micro-foundations (based on the preferences of decision-makers) to analyze the problem of gender-specific financial frictions.

In addition to funding, all PEP-supported research project teams benefit from intensive training activities (at the onset of the project), access to related resources (recommended readings, training materials, software tools, etc.), a unique international peer-review experience, as well as ongoing mentoring and technical support provided by PEP mentors (world leading experts in relevant research methods/areas) all throughout the project lifecycle. All research outputs and publications are also reviewed and revised several times by various experts.

*The PEP project gave me the opportunity to be the Laureate of the 2014 International Workshop of the Social Sciences Research in Africa, organized by the CODESRIA, on August 2014, in Yaounde, Cameroon*

- Thierry Kame Babilla

The expertise developed in the context of this project did not go unnoticed. Only a few months after being selected for PEP support, the team members were asked to meet with a delegation of World Bank officials from Washington to present and discuss their project. This meeting has led to a series of further invitations, consultations and advisory activities with the World Bank and with various national agencies and Ministries. Beyond the outcomes in terms of research uptake (which are described on p.4), these activities resulted in unprecedented exposure and acknowledgement of the researchers' expertise.

In addition to policy advisory meetings, the team was also invited to present the project and related

outcomes during high-level conferences such as the African Economic Conference (Addis Ababa, Ethiopia) organized by the Economic Commission of Africa, and the African Poverty and Social Impact Analysis (PSIA) International Learning Event (Cape Town, South Africa) sponsored by the World Bank Group where the team participated along with officials from the Ministry of Economy.

The team leader was selected as Laureate of the 2014 International Workshop of the Social Sciences Research in Africa, organized by the CODESRIA in Yaoundé. He was also the only Southern expert (and sole African) invited to present at the 11<sup>th</sup> DYNARE Conference, in Brussels in September 2015.



November 2014  
Presentation at UNECA's African Economic Conference in Addis Ababa, Ethiopia



November 2014  
Meeting with World Bank HQ delegation and Gvt officials

May 2015  
Participate in preparation of WB's Memorandum of the Cameroon Economy



May 2015  
2<sup>nd</sup> prize winner of the 2015 PEP Best Practice Awards



July 2015  
PEP national policy conference in Yaounde

## Engaging with key policy makers, advisors and stakeholders

### Informing policy design in favor of development

While designing their research project, the team consulted with many different policy actors and stakeholders at the national level, to collect their input and confirm their interest in the issues and potential outcomes of the research. These included high-level officials from the Ministry of Employment and Social Welfare, the Ministry of Economy, the Central Bank of African States, and African Bank of Development.

Early in the research cycle, the team had the opportunity to consult with the Chief Economist of the World Bank Mission in Cameroon. Soon after, they were asked to meet with a delegation of World Bank officials from Washington (and other high-level Cameroonian officials) to present and discuss their project, and show how their expected findings may inform structural transformation in Cameroon. Their presentation raised keen interest and the team was asked to provide periodic updates on the progress of their research and findings.

A second meeting was organized in March 2015 with the same representatives, during which the team was asked to provide input using their PEP findings and resulting recommendations to directly assist in the preparation of the **World Bank's Memorandum of the Cameroon Economy**. This Memorandum was then submitted officially by the World Bank to the Higher Cameroonian Authority.

On July 8 2015, the team organized a **PEP national policy conference** to communicate their findings to the institutions and stakeholders who had not attended the previous meetings. These included representatives from the Ministries of Economy, of Higher Education, and of Employment and Social Welfare. National experts from academia, the private sector and civil society also participated in the discussion, which provided the team with very useful insights and comments. The news of the event and findings also benefited from significant media coverage during a number of Radio France International broadcasts.

Soon after, the researchers were the only local experts invited to participate in a special high-level advisory meeting, co-organized by the World Bank Mission in Central Africa and Cameroon Authorities, to discuss the adoption of policies and measures to promote development in Cameroon and achieve the country's emergence by 2035. In addition to the World Bank, this meeting included representatives from several Ministries (Finance, Economy, Public Service, Social Affairs, Environment, Higher Education), the CEMAC (Economic and Monetary Community of Central Africa States), the private sector (GICAM), the National Institute of Statistic, and civil society.

Finally, for these and other outstanding achievements, the research team won second prize at the 2015 PEP Best Practice Awards, presented during the PEP Annual Conference in Nairobi, Kenya.