

CGA *infos*

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COMPAGNIE GENERALE
D'AFFACTURAGE

World News...

Receivables indicators...

Development of factoring and credit insurance in Cameroon

Various surveys of the business environment and investment climate systematically identify difficulties in accessing finance as a major obstacle to company growth (especially for SMEs) in Cameroon, despite the surplus liquidity in the banking sector. The first steps towards finding a solution to the well-known problem of the mismatch in financing supply and demand could have been taken with the recent appearance of new and innovative financing products on the banking horizon in Cameroon, among them factoring and credit insurance plus the increasing use of leasing.

Cameroon's BICEC bank, in partnership with the Coface Group and insurance company Chanas Assurances, has launched a factoring offer, the first of its kind in Central Africa. Companies see factoring as an interesting solution to their cash management problems in a region where payment terms are long and collection difficult. Coface is also considering expanding its factoring activities into other countries in the region, most notably Gabon.

In addition to its partnership with BICEC, Chanas also offers two intermediation products to underpin the guarantees enjoyed by the bank by covering all or part of the risk of default by the company:

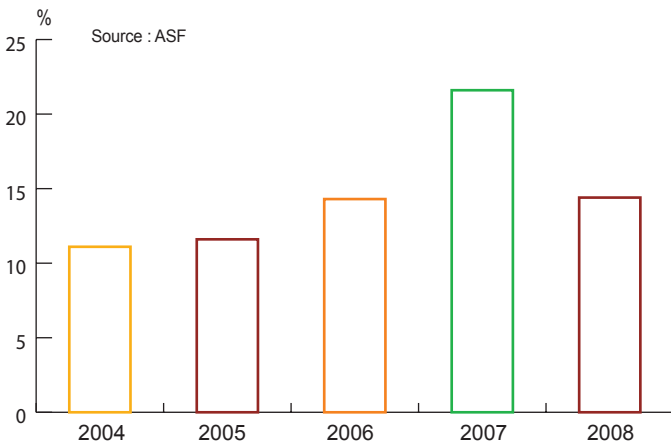
- **credit insurance** (insurance indemnifying the lender in the event of the debtor's default on a loan made to finance the purchase of goods on credit)
- **guarantee insurance** (the option for a company applying for a bank loan to offer the lending bank a guarantee to cover the eventuality of non-repayment).

Despite the extra cost to the company, the guarantees these two insurance products offer the lender could encourage banks to increase their lending, by reducing the risk of default and boosting their liquidity ratio.

In another initiative, a Cameroon leasing association (Camlease) has just been set up, with the support of Société Financière Internationale (SFI, a subsidiary of the World Bank). Camlease brings together all Cameroon's leasing professionals (SGBC, BICEC, Alios Finance, the Cameroon insurance companies association ASAC, the Cameroon Chamber of Commerce, Industry and Trade CCIMA, etc.) with the aim of developing leasing solutions, which currently represent less than 4% of bank lending.

Leasing, which provides banks with stronger guarantees than classic credit, is thus likely to continue its rapid growth and also to provide companies with easier access to capex financing.

French Factoring market growth

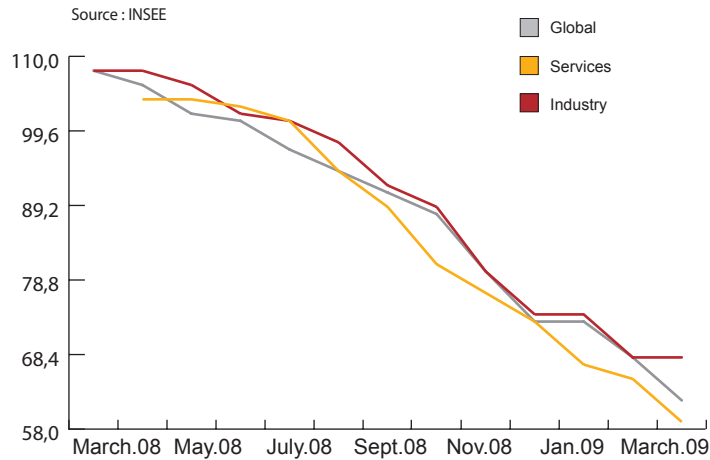


CGA Indicators

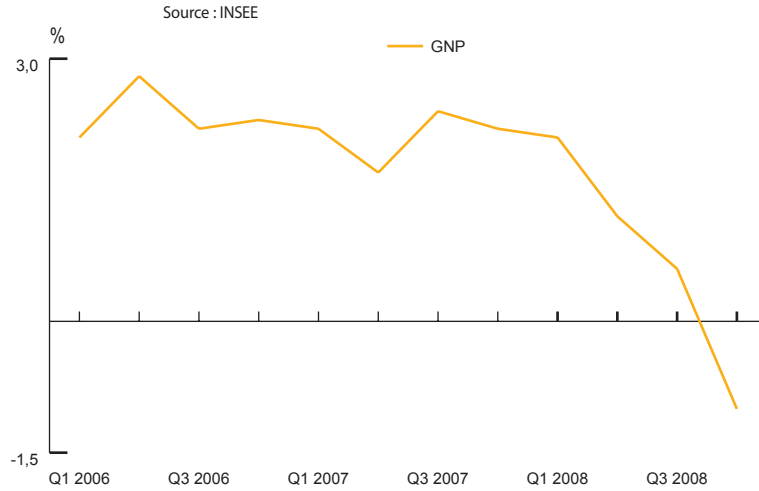
| Jan-Apr 2009 | CGA average | French National Average |
|--------------------------------------|-------------|-------------------------|
| Response to credit approval requests | 4 days | 8.7 days |
| Responses to credit opinion requests | 3.7 days | 5.6 days |

French economy side-bar ...

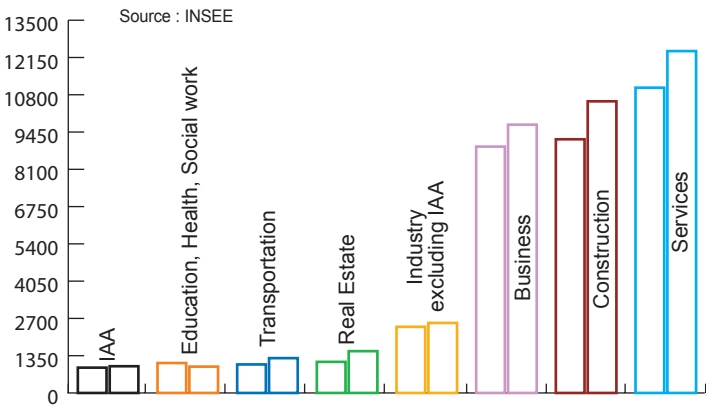
Summary indicator of the business climate
Level 100 = long term average



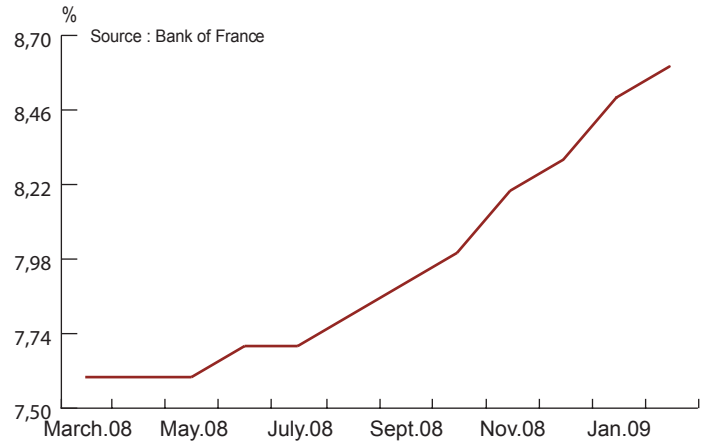
Trend in GNP growth



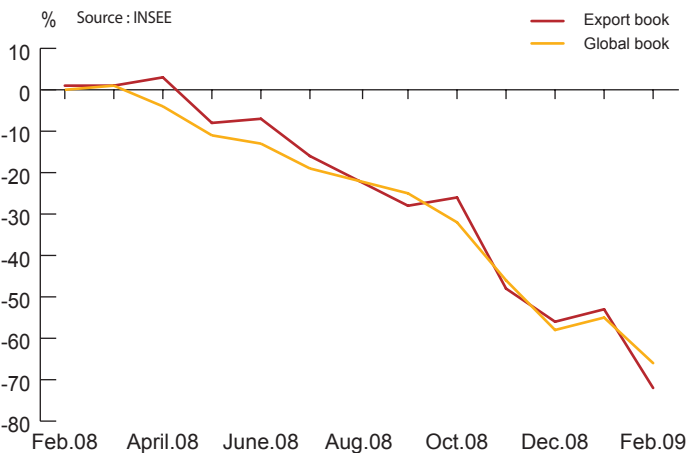
Business failures by industry sector (Jan-Oct 2007/2008)



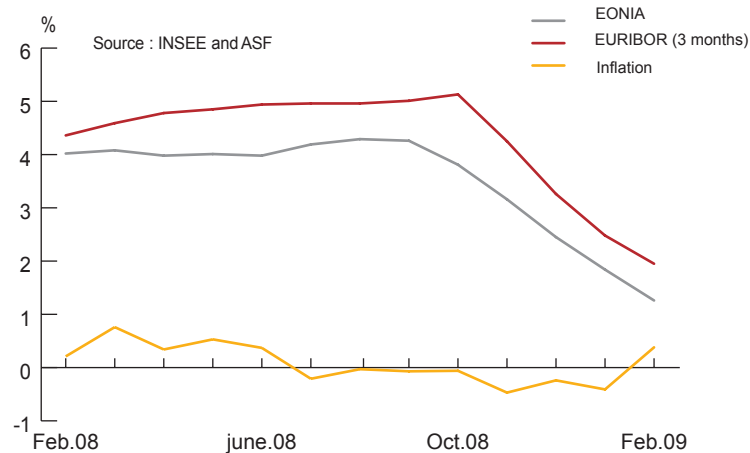
Unemployment rate trend



Order books for companies in the manufacturing sector



Inflation and short term interest rates trends



Focus on ...

French government economic stimulation measures

In the light of the particularly grim state of the economy at the end of 2008, the French government decided to bring in new economic stimulus packages, such as the business credit support plan, or to reinforce existing support measures.

Below are some of the measures designed to help firms overcome the difficulties they currently face in financing or expanding their business.

1. Corporate credit mediation scheme

Described in detail in the next article, the scheme offers support to businesses experiencing difficulty in obtaining credit, and has already proved its worth.

2. The CAP

To avoid putting thousands of companies at risk, on 1 January 2009 French Minister for the Economy, Christine Lagarde, introduced a government-backed top-up credit insurance scheme (CAP) to allow credit insurers to continue providing cover to insured firms while sharing the risk equally with the government.

Financed by insurer Caisse Centrale de Réassurance (CCR), the CAP is available through credit insurance firms to companies at risk of a shortfall in their credit assurance cover. The measure applies only where the credit insurer has reduced the amount of cover provided, not if the cover is withdrawn entirely.

The scheme is already in operation, with gross government-backed lending reaching €18.4 million as of February 1st, €92.4 million as of March 1st and €201.6 million as of April 1st. At the end of March, the Prime Minister decided to extend the CAP and increase the government guarantee fund to €5 billion up to December 31st, 2009, by introducing a CAP+ scheme for companies that have had all their credit insurance cover withdrawn.

3. Credit insurers' transparency charter

Also included in the inter-company credit support plan is a charter signed between credit insurers and the government, by which insurers undertake to provide more detailed explanations of their grounds for reducing or withdrawing a company's credit insurance cover. As the credit crunch bites and payment defaults mount, a company's credit risk rating is vital to retaining the confidence of its suppliers. Under the terms of the Coface Transparency Charter, a company can supply updated information that will be analysed in order to obtain, free of charge and at its request, its Coface score, its credit rating and the underlying information on which these are based.

4. Support for export through the Ubifrance networks, Embassy trade departments, Chambers of Commerce and Industry, OSEO and Coface

The "France export team", consisting of Ubifrance, Embassy trade departments, Chambers of Commerce and Industry (CCI) in France and abroad, OSEO and Coface, met early in 2009 to establish three goals for 2011 that will ensure the optimum European network to drive the international growth of French companies by:

- involving 10,000 exporting companies,
- achieving a total of 20,000 export support missions,
- increasing the number of international business volunteers (VIE) to 10,000.

The roles of each "participant" were clarified, enabling each team to focus on maximum efficiency.

CCIs in France operate at the local level, detecting potential exporting companies. Embassy trade departments and Ubifrance are responsible for export support. CCIs in other countries handle follow-up and support for French firms overseas. Coface continues to be the point of contact for export guarantees and its guarantee rules have been made more flexible in order to help the agency perform its role even more successfully. OSEO provides the financing, and has just introduced an "export loan" aimed at high-tech companies.

Ubifrance acts as a pivotal agency, steering and coordinating the each and everyone's competencies and providing an integrated offer and a one-stop shop for exporting companies.

5. A relaxation of the rules on Coface guarantees on behalf of the government for exports to 37 countries, among them China, India and Brazil, was decided early in 2009.

The French Finance Ministry is thereby sending out a signal of confidence to companies, banks and also to customers in these countries.

6. The SME strategic innovation project support scheme

The RAPID scheme is designed to support SMEs engaged in industrial research or experimental development projects with significant dual-use technology potential, i.e. both for military applications but also for spin-offs on civilian markets. The subsidy system is being implemented by the General Directorate for Competitiveness, Industry and Services (DGCIS) and the Defence Procurement Agency (DGA), and the Ministry of Defence intends to put €10 million euros into the scheme over 2009.

The role of the french Credit Mediator

The credit mediation scheme was introduced in France at the end of October 2008 to provide easier access to credit for companies in difficulties as a result of the financial crisis.

It is based on a request made to the credit mediation teams and containing full information about the company: its registered capital, workforce, date founded, main banks or credit insurance firms, financial position and business outlook, etc., and describing in as much detail as possible the difficulties the company is experiencing, the stumbling-blocks and the arguments advanced by banks reluctant to grant lending. The Credit Mediator examines the request and a dialogue is launched to re-establish trust between the firm and its bankers. The Mediator then seeks to reach an agreement with the banks or, if necessary, with new partners.

The length of the mediation process depends on the complexity of the case. For larger firms, the average mediation period is between two and seven weeks, but this may extend to as much as five months in more complex cases.

Since the Credit Mediator's Department was set up under René Ricol, a total of 9,464 firms have submitted requests for mediation, of which 88% were accepted for mediation with a success rate of 64.5%.

As of end May 2009, the scheme had succeeded in releasing over €600 million in lending, keeping 4,286 companies in business and protecting 82,710 jobs.

Most of the difficulties companies are encountering concern bank lending (71%) and involve banks refusing loans, calling in overdrafts and, for larger companies, problems with their banking covenants.

The sectors most likely to call in the Credit Mediator are services (32%), sales (29%) and building & construction (21%).

There are, however, two clear trends:

- although small firms account for the lion's share of the requests (close on 95% of the companies seeking mediation employ fewer than 50 people), there is an upward trend in the number of applications from bigger SMEs and even major listed companies employing between 50 and 250 people. This category grew by 27% in the month from February to March of this year.
- applications relating to credit insurance and factoring are also on the increase, and now account for over 10% of requests deemed eligible.

There was a massive surge in requests to the Credit Mediator in the second half of April: 1,276 new requests were submitted, compared to 730 in the first half of April and 765 in the second half of March. Half of these requests came from businessmen starting up new businesses or taking over existing ones, who are now coming forward in larger numbers following upgrades to the website that have made it more accessible.

In short ...

SEPA : initial reports, awaiting clarification...

In principle, the Single European Payment Area or SEPA, as the future European framework for payment methods is known, has been up and running since 28 January 2008 for the vast majority of banks that have made the investment necessary for this new single European payment system.

Companies, on the other hand, are showing limited interest, especially as no firm cut-off date has been set and they are under no obligation to modify their systems before 2012.

SEPA credit transfers will need to reach critical mass before they can hope to replace national cashless payments, but volumes of credit transfer instructions are so far low: only 1.5% of all European transactions at end September 2008, according to ECB figures.

Companies appear to be adopting a wait and see approach, awaiting clarification on SEPA's scope of application.

Business failures soared between 2008 and 2009

Figures for the latter part of 2008 show a continued increase in the number of business failures which is expected to continue in 2009.

In 2008, failures were up 15.4%, compared to a rise of just 6% in 2007, affecting 57,700 firms – the highest number since 1997 (61,000 failures) - and 220,000 employees.

Companies are suffering across the board, irrespective of size or sector. The number of failures by businesses employing over 100 people rocketed by 52% in January 2009, for example.

Some sectors are being particularly hard hit, however, such as construction, which accounts for a quarter of all failures (up by 22%), real estate (+48%), transport (+23%), hotels and restaurants (+26%) or retailing (+23%). The changes are more contrasted in industry, since overall bankruptcies are up just 4% over the year, but with much sharper rises in capital equipment (+17%), the food industry (+9%) and a staggering +38% for the auto industry.

This upward trend was particularly marked in the third quarter of the year, in September and October, but seems to be persisting through the end of the year and the start of 2009: the number of auto equipment manufacturers that went out of business in January 2008 was 28, compared to 48 in January 2009.

Euler Hermes Sfac is forecasting a 25% increase in business failures in France for 2009.

This month's figure ...

The average for late payment by European companies stood at 14.7 days at end March 2009, the highest level for the past five years and up by 2.2 days over the year.

Only France, thanks to its Modernization of the Economic Act (LME) that came into effect at the beginning of 2009, managed to bring its late payment figure down to just under 12 days over the year (11.9 days in 2008 compared to 12.2 days in 2007).

14.7 days

Agenda ...

CGA receives ISO 9001 v 2008 certification



Following the AFAQ audit carried out in mid-March 2009, Compagnie Générale d'Affacturation (CGA, a wholly-owned subsidiary of Société Générale) was granted a renewal of its ISO 9001 quality certification, 2008 version. The Quality Management system adopted by CGA, the first factoring firm to achieve ISO 9001 v 2000 certification, was judged to have attained an excellent level of maturity, with strong involvement by managers and all staff.

This certification demonstrates our commitment to constantly improving customer satisfaction, as measured by customer feedback at three levels:

- an annual customer satisfaction survey
 - a Société Générale network survey conducted by SG teams
 - dealing with complaints from our entire customer base
- Customer satisfaction is, more than ever, a key concern for CGA. That same concern is what drives the continuous improvement of all our processes.

Launch of CGA Marchés Publics



Compagnie Générale d'Affacturation is launching CGA Marchés Publics, a product that will give companies awarded public procurement or similar contracts access to advance financing for all or part of the contract, thereby avoiding the worst consequences of the sometimes inordinately long delays in obtaining payment from major public sector clients.

The advantages offered by CGA Marchés Publics are:

- A cash advance made available on signature of the contract, if justified by the contractor's circumstances.
- A financing reserve proportional to the nature of the receivables and the contract.
- Management in compliance with the rules of public procurement contract performance.
- Clear, transparent charging.

Launch of CGA Associations Initial

CGA is also launching CGA Associations Initial, a version of its CGA Associations product, giving non-profit organizations access to advance financing of their operating subsidies and government grants of between 30,000 and 100,000 euros. CGA Associations Initial provides financing specially tailored to the organization's needs plus a range of ancillary services (recovery, collection and allocation of subsidies).

CGA Associations Initial offers the added advantage of a simplified assignment procedure and flat-rate charging.



CGA ASSOCIATIONS INITIAL
le financement simplifié des collectivités
et des organismes publics et de non profit

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CGA infos



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