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PPC/CDIE/DI REPORT PROCESSING FORM

FD-ABF-126  
8/17/92

ENTER INFORMATION ONLY IF NOT INCLUDED ON COVER OR TITLE PAGE OF DOCUMENT

1. Project/Subproject Number

936-5447

2. Contract/Grant Number

DHR 5447-2-00-7074

3. Publication Date

November 1992

4. Document Title/Translated Title

Privatization of Fertilizer Marketing in Cameroon: A Fourth Year Assessment of the Fertilizer Sub-Sector Reform Program Technical Report.

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- 3.

6. Contributing Organization(s)

Abt Associates

7. Pagination

8. Report Number

9. Sponsoring A.I.D. Office

S&T/RD

10. Abstract (optional - 350 word limit)

11. Subject Keywords (optional)

- |    |    |
|----|----|
| 1. | 4. |
| 2. | 5. |
| 3. | 6. |

12. Supplementary Notes

13. Submitting Official

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(301) 913-0500

15. Today's Date

12-22-92

16. DOCID

.....DO NOT write below this line .....

17. Document Disposition

DOCRD [ ] INV [ ] DUPLICATE [ ]

PD-ABF-126  
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**Privatization of  
Fertilizer Marketing  
in Cameroon: A  
Fourth-Year  
Assessment of the  
Fertilizer Sub-Sector  
Reform Program**

**Technical Report**

**November 1992**

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**AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT**

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Sponsored by the

**U.S. Agency for International Development**

Prime Contractor: Abt Associates, Inc.

Subcontractors: Postharvest Institute for Perishables, University of Idaho,  
Deloitte & Touche, Inc.

**PRIVATIZATION OF FERTILIZER MARKETING IN CAMEROON:  
A FOURTH-YEAR ASSESSMENT OF THE FERTILIZER SUB-SECTOR REFORM  
PROGRAM**

**TECHNICAL REPORT**

**Submitted to:**

**The Technical Supervisory Committee**

**Fertilizer Sub-Sector Reform Program**

**The Government of Cameroon**

**and**

**USAID/Cameroon**

**November 1992**

**by**

**Richard D. Abbott**

**David A. Lloyd**

**THE AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT**

**The University of Idaho/ Postharvest Institute for Perishables**

**and**

**Abt Associates**

## TABLE OF CONTENTS

	<u>Page</u>
List of Exhibits . . . . .	iii
Glossary . . . . .	iv
Introduction . . . . .	v
<b>1. ASSESSMENT OF PROGRAM PERFORMANCE . . . . .</b>	<b>1</b>
1.1 Findings and Recommendations . . . . .	1
1.1.1 Overall Assessment of the Program . . . . .	1
1.1.2 Principal Findings - 1991/92 Program . . . . .	1
1.1.3 Recommendations . . . . .	4
1.1.4 The Annual FSSRP Seminar/Workshop . . . . .	7
1.1.5 Action on Recommendations in the 1990/91 Assessment . . . . .	8
1.2 Performance of the FSSRP in 1991/92 . . . . .	10
1.2.1 Historical Perspective - Imports and Sales . . . . .	10
1.2.2 Importation of Fertilizer . . . . .	11
1.2.3 Distribution of Fertilizer . . . . .	16
1.2.4 Importation Loan Facility Operations . . . . .	18
1.2.5 Subsidy Fund Operations . . . . .	19
<b>2. FINANCIAL PERFORMANCE OF THE PROGRAM . . . . .</b>	<b>21</b>
2.1 The FSSRP Financial System and the Banking Sector . . . . .	21
2.2 Present State of the Banking Sector in Cameroon . . . . .	21
2.2.1 Reduction of Bad Debt and Recapitalization . . . . .	21
2.2.2 Liquidity Situation . . . . .	22
2.2.3 Bank Lending to the Agricultural Sector . . . . .	23
2.2.4 Emergence of New Banks . . . . .	23
2.3 Effect of the Banking Situation on the FSSRP . . . . .	23
2.3.1 Commercial Bank Treatment of Fertilizer Imports . . . . .	23
2.3.2 Developments at the Fiduciary Bank . . . . .	24
2.3.3 Overall Evaluation of FSSRP Financial System . . . . .	25
2.4 FSSRP Medium Term Loan Facility . . . . .	25

**APPENDICES**

**Appendix A Medium Term Loan Facility . . . . . 26**

**Appendix B Fiduciary Bank Activities . . . . . 32**

**Appendix C Commercial Bank Activities . . . . . 39**

**Appendix D Activities of Importers . . . . . 50**

**Appendix E Activities of Distributors . . . . . 59**

**Appendix F Other Financial and Donor Organizations . . . . . 77**

## LIST OF EXHIBITS

<u>Exhibit</u>	<u>Title</u>	<u>Page</u>
1	Importer sales and stocks, 1988-1992 . . . . .	10
2	Fertilizer marketing trends, 1988-1992 . . . . .	12
3	Fertilizer imports by type and average cost . . . . .	15
4	Fertilizer distribution flow . . . . .	17
5	Importer sales by type of customer . . . . .	18
6	Importation loan status . . . . .	19
7	Status of the FSSRP subsidy fund . . . . .	20

## **GLOSSARY**

<b>AIM</b>	<b>Allied International Marketing Services</b>
<b>BCD</b>	<b>Bank Camerounaise de Developpement</b>
<b>BCCC</b>	<b>Bank of Credit and Commerce Cameroon</b>
<b>BIAO</b>	<b>Banque Internationale pour l'Afrique Occidentale</b>
<b>BICIC</b>	<b>Banque Internationale pour le Commerce et l'Industrie du Cameroun</b>
<b>BMBC</b>	<b>Banque Meridien BIAO Cameroun</b>
<b>CAC</b>	<b>Credit Agricole au Cameroun</b>
<b>CCCE</b>	<b>Caisse Centrale de Cooperation Economique</b>
<b>CCEI</b>	<b>Caisse Commune d'Epargne et d'Investissement</b>
<b>FSSRP</b>	<b>Fertilizer Subsector Reform Program</b>
<b>GRC</b>	<b>Government of the Republic of Cameroon</b>
<b>IFC</b>	<b>International Finance Corporation</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>MIBL</b>	<b>Meridien International Bank Ltd.</b>
<b>NWCA</b>	<b>North West Cooperative Association</b>
<b>ONCPB</b>	<b>National Produce Marketing Board</b>
<b>SAL</b>	<b>Structural Adjustment Loan</b>
<b>SCCB</b>	<b>Standard Chartered Bank, Cameroon</b>
<b>SGBC</b>	<b>Societe Generale de Banque Camerounaise</b>
<b>SNI</b>	<b>Societe Nationale d'Investissement</b>
<b>SRC</b>	<b>Societe de Recouvrements de Creances</b>
<b>TSC</b>	<b>Technical Supervisory Committee of the FSSRP</b>
<b>TSU</b>	<b>Technical Support Unit of the FSSRP</b>
<b>UCCAO</b>	<b>Union Centrale des Cooperatives Agricole de l'Ouest</b>
<b>UDEAC</b>	<b>Union Democratique des Etats de l'Afrique Centrale</b>
<b>UNIDO</b>	<b>United Nations Industrial Development Organization</b>
<b>USAID</b>	<b>United States Agency for International Development</b>

## **INTRODUCTION**

This is the fourth in a series of annual assessments of the Fertilizer Sub-Sector Reform Program of Cameroon prepared by the Agricultural Marketing Improvement Strategies Project (AMIS) for USAID/Cameroon.

The assessment was prepared by Mr. Richard D. Abbott of the Postharvest Institute for Perishables, University of Idaho, and Mr. David A. Lloyd, Banking Consultant.

The authors were in Cameroon from 22 March to 21 April 1992 gathering information for this report. The 1991/92 program year was unusual in that it did not close until mid-October 1992. As a result, completion of this report was delayed until full information on program activities was available. That information was received from USAID/Cameroon in faxes dated 4 September 1992 and 28 October 1992, after which the final draft of the report was prepared.

Part One of the report is an assessment of program performance in two parts: (1) findings and recommendations, which also serves as a summary, and (2) performance of the program during the past year.

Part Two is devoted entirely to financial performance of the program. As with the previous third-year assessment, it was considered important to review in some detail the current state of the commercial bank sector and its impact on the FSSRP, given the bank restructuring currently taking place. Appendix A to the report covers a related topic -- recommendations for a medium-term loan facility to be made available to FSSRP participants.

This "technical" version of the annual assessment also contains four additional appendices with detailed accounts of the activities of program participants: the Fiduciary Bank, commercial banks, importers, and distributors. Persons contacted are listed with each account.

The annual assessment was carried out under the supervision of the Technical Supervisory Committee of the FSSRP. M. Mohamadou Talba, Secretary General of the Ministry of Plan and Regional Development, is the President of the Committee. Within USAID/Cameroon, supervision was provided by the Office of Economic Analysis and Policy Reform Implementation (EAPRI), Dr. Tham Truong, Chief.

The authors wish to acknowledge the invaluable help of Mr. Daniel Moore of EAPRI in the preparation of this report. In addition to taking care of all logistics for the team and accompanying the team on the field trip, Mr Moore prepared a number of the detailed exhibits contained in this report and provided valuable background information. We also acknowledge with thanks the assistance of Mr. Rostand Longang of EAPRI.

# **1. ASSESSMENT OF PROGRAM PERFORMANCE**

## **1.1 Findings and Recommendations**

### **1.1.1 Overall Assessment of the Program**

At the end of the fourth year of the program, the FSSRP continues to operate successfully under very difficult economic conditions. Extremely tight bank credit limits importers' access to subsidies to those with substantial assets. The purchasing power of coffee farmers, the principal users of subsidized fertilizer, has been greatly curtailed by low coffee prices. However, a general decline in subsidized fertilizer consumption over the past three years appears to have been arrested. Indications are that farmers have increased fertilizer use on food crops, which produces a better return on fertilizer expenditures than does coffee. Importers have also increased sales to banana and green bean growers, further diversifying the market. Increased participation in the FSSRP by importers, banks, and distributors has opened up the market, making it more transparent and responsive to demand than early in the program when large coffee cooperatives dominated distribution.

### **1.1.2 Principal Findings Concerning the 1991/92 Program**

#### **i) Increased Imports Compared to Previous Year**

As of the end of August 1992, 31,800 tons of fertilizer had been imported under the 1991/92 FSSRP campaign. An additional importation of 4,400 tons was in process as the campaign closed and will likely become a part of the 1992/93 campaign, which if realized would bring the 1991/92 campaign total to 36,200 tons. This compares to 22,000 tons last year.

#### **ii) Increased Importer and Bank Participation**

Participation by both commercial banks and importers increased in 1991/92 compared to 1990/91. This year, three importing firms and three commercial banks were involved. Two of the three importing firms are all-Cameroon owned. Last year, the limited quantity of fertilizer imported was handled by one importing firm and one commercial bank. This broader participation assures competition and bodes well for the future of fertilizer marketing in Cameroon. In the process, private sector operators are gaining experience in marketing and are establishing banking relationships. These developments should lead to a self-sustaining and competitive free market system when all subsidies are removed and the FSSRP terminates.

#### **iii) Tight Bank Credit/ Lack of Liquidity**

The lack of liquidity in the economy, combined with the very conservative lending policies of commercial banks, continues to have an impact on fertilizer import and distribution. Commercial banks have been willing to open letters of credit to pay for imports only for

importing firms who can post very substantial collateral. The situation was worsened by the very poor condition of the Fiduciary Bank, Bank of Credit and Commerce Cameroon (BCCC). The commercial bank which handled imports arriving through April (BICIC) no longer accepted FSSRP subsidies as collateral to cover letters of credit, which tended to eliminate small firms new to fertilizer importing. In July 1992, Standard Chartered Bank Cameroon acquired BCCC and took over the FSSRP accounts. FSSRP transactions have proceeded normally since then.

Distributors, especially cash-starved coffee cooperatives, have generally been unable to post sufficient collateral to finance large purchases through banks. Some have been extended credit by the importer, and others have resorted to making small purchases for cash.

#### iv) Restructuring of Banks

Commercial bank restructuring in Cameroon is now virtually complete and most of them can resume normal operations. Many continue to be burdened by bad debts and are undercapitalized, so will continue to be very conservative about lending to more risky sectors, such as agriculture. A hopeful sign is the emergence of two new banks, Credit Agricole du Cameroun (CAC) and Caisse Commune d'Epargne et d'Investissement (CCEI), both of which expressed interest in financing fertilizer imports by Cameroonian firms new to the FSSRP. In fact, just prior to the close of the 1991/92 campaign, CAC handled an import of 3000 tons.

#### v) More Open and Transparent Market

Increased participation of private firms in wholesaling and retailing of fertilizer was noted compared to previous years. Established firms such as ADER and Pelenget now have wholesale and retail operations (in Bafoussam and Bamenda respectively). Independent distributing firms such as Complexe JBN and SOCOTRA are also active. New small fertilizer retail stores have also begun operations in some areas. For example, visits were made to four stores in Bafoussam and three in Foumbot with stocks of ten to twenty tons available at prices ranging from FCFA 3000 to 3500 per bag. Some stock was purchased directly from importers, while older stocks appeared to have been repurchased from other buyers in past years. The removal three years ago by the FSSRP of maximum retail price levels has undoubtedly helped foster the appearance of these retailers.

This trend reflects the diminished role of large coffee cooperatives in distributing fertilizer. Two cooperative unions (UCCAO and NWCA) placed large orders this year, though as many as five did so in previous years. In general, cooperative unions lack working capital for the purchase of fertilizer and have virtually no stock available for member cooperatives. To compound the problem, some member cooperatives have been unwilling to make advance commitments for purchase of fertilizer through their unions due to the uncertainty about future demand from farmers -- as well as doubt about the financial ability of the unions to purchase fertilizer on their behalf. The result is that individual cooperatives which have the financial means are placing orders for 1000 to 3000 tons directly with importers. Weaker cooperatives are unable to obtain fertilizer at all. Independent distributors and small merchants help fill this

gap, though at higher prices.

This segmentation of the market is a positive trend. The link between coffee marketing and fertilizer marketing, which led to such wide fluctuations in fertilizer supply and demand in past years, is gradually being severed. The result is a more open and transparent market compared to earlier years of the program when cooperatives and cooperative unions controlled fertilizer marketing within their organizations and non-members were left out. Some distortions remain, however, as certain cooperatives -- particularly those in the West Province -- continue to subsidize fertilizer sales to members. Given their precarious financial condition, this practice may not continue much longer.

Finally, it should be noted that the changes in the structure of the market have shifted most of the marketing risk to the importer, who can no longer rely on a few large orders from coffee cooperatives, but must have stock available and actively seek out customers in all agricultural sectors at both the wholesale and retail levels. This will tend to require importers to put up more of their own capital to carry these larger stocks, which was one of the objectives of the FSSRP.

vi) Increased Fertilizer Use on Food Crops

The declining use of fertilizer on coffee in favor of food crops was noted already last year. This trend has continued. Coffee cooperatives estimate that as much as 30 to 40% of fertilizer they sell to members is now used on crops such as maize, tomatoes, beans, cocoyams, etc. This trend is accompanied by neglect of coffee trees, as the much lower prices for coffee have made fertilizer use a marginal proposition for all but the most efficient producers. Without a substantial increase in coffee export prices, it can be expected that Cameroon coffee production will continue to decline.

These changes have a positive effect on fertilizer marketing in two respects. First they tend to increase consumption of fertilizer as returns to the farmer are currently greater on food crops. Second, they tend to spread consumption out more evenly over the year, since vegetable farmers typically have two or more growing cycles during the year. This requires fertilizer sellers to have stocks on hand throughout the year, thus providing better service to all users.

vii) Interest in Construction of Bulk Fertilizer Blending Facilities

Three private groups are currently planning investments in bulk fertilizer blending plants in Douala. Such a facility would be equipped with bulk unloading equipment, bulk storage, blending equipment, and bag filling equipment. A wide variety of NPK fertilizers could be formulated as needed based on bulk imports of ingredients. Products such as Urea, which would not be mixed, would be imported and stored in bulk, then bagged as needed. The three projects vary widely in size and scope, ranging from investments of \$200,000 to \$6 million. Each relies to some degree on external financing in combination with local capital.

Fertilizer users in Cameroon would benefit from the existence of such a plant, first since it would promote bulk imports and lower prices compared to import of fertilizer in bags, and second, because it would make available a much broader range of formulations to meet the needs of crops such as bananas and cotton.

### 1.1.3 Recommendations

#### i) Establish Medium Term Credit Facility

The non-availability of medium term credit inhibits investment in fixed assets such as bulk blending plants and storage facilities in consuming areas. Such investments are important to the long-term development of fertilizer marketing in Cameroon, since they will bring down the cost of fertilizer to the user and assure accessibility when and where needed. It is recommended that the FSSRP facilitate this type of investment by providing additional liquidity to commercial banks in Cameroon. FSSRP credit funds would be on-lent by commercial banks to finance up to 50% of project cost, up to a maximum of FCFA 400 million, for terms of two to five years. A full discussion of this recommendation will be found in Section 2.4 of this report.

#### ii) Prepare Pre-Feasibility Study of Bulk Blending Plant

Several groups in Cameroon are currently preparing plans for bulk blending plants to be erected in Douala, and are seeking loans and equity investment from international agencies to supplement local capital. The International Finance Corporation, the African Development Bank, and the Islamic Development Bank have each been approached by Cameroon investors. Indications are that in the absence of an adequate feasibility analysis of the project, including the size of the market available to the operator, donor agencies have been reluctant to act. Comments at the Limbe conference by participating Cameroon commercial banks, who will have medium-term funds to lend to such projects when the above recommendation is implemented, suggests that they too would be hard-put to evaluate the viability of such projects without better information.

Some of the outstanding issues may be resolved by a study funded by UNIDO on behalf of UDEAC and now being completed by the French consulting firm SOFRECO. A copy of the study was not available at the time of the annual review, so the adequacy of the information it contains could not be assessed.

Estimated market size is a crucial factor in determining the economic feasibility of one or more such plants. The current market for subsidized fertilizer, estimated at 35,000 to 40,000 tons, is marginally sufficient to justify the erection of one bulk handling and blending plant. Inclusion of the northern Cameroon market for non-subsidized fertilizer would add 20,000 to 30,000 tons to the available market. Additional markets could be available if neighboring UDEAC countries were also accessible, possibly through duty-free entry from Cameroon under the UDEAC accords. It is reported that cotton growers in Chad alone consume 15,000 to

20,000 tons annually. At least two such plants might be feasible under these conditions and would make it less likely that one operator could achieve a monopoly position in the market.

It is recommended that the TSC and USAID review the SOFRECO study when it becomes available to determine if it provides an adequate basis for evaluating the economic feasibility of a bulk blending plant in Douala. If not, it is recommended that the TSC and USAID commission a study as soon as possible which would respond to the information needs of commercial banks and international financing organizations which are considering or will consider loans and investments in such projects. It should include realistic sales forecasts by type of fertilizer and destination, projections of fixed and operating costs for an economically sized plant, and pro-forma financial statements.

iii) Eventual Fusion of the FSSRP and PSIE Programs

Further analysis is needed on the question of the desirability of fusing the FSSRP program (serving the seven southern provinces) and the PSIE program (serving the three northern provinces) in order to provide the largest possible market for a bulk blending plant. Inasmuch as some fertilizer importers are already supplying buyers in both areas, it is not clear what is to be gained by fusing the two programs at this time. Combining the two credit funds could simplify matters for an importer seeking credit for a combined shipment for buyers in both area, but this might be counterbalanced by the fact that subsidy applications would have to be made separately for the five types of fertilizer covered by the FSSRP.

Since it is likely that the 1992/93 season will be the last for which FSSRP subsidies are available, the difficulties of handling subsidized and non-subsidized fertilizer in a single combined program will soon cease to exist. It is therefore recommended that discussions be pursued during the coming twelve months about combining the FSSRP and FED credit funds, including such issues as who would administer the fund and what terms and conditions would apply. In this way, a plan could be ready for implementation in mid-1993.

iv) Revise Legal Agreements Governing the FSSRP

In response to the terms of reference established for this year's annual assessment, the consultants recommended revisions to the agreements governing relationships between the TSC and the Fiduciary Bank, and between the Fiduciary Bank and participating commercial banks. Additionally, some recommendations were made for amendments to the AID/GRC Program Grant and Project Grant Agreements. These recommendations are contained in a separate document prepared by the Credit and Finance Specialist, David Lloyd, and reviewed by a Cameroonian lawyer, Dr. Godfred Penn.

v) Education Program for Banks, Importers and Distributors

The FSSRP would benefit from increased participation by commercial banks and by importing and distributing companies in order to assure continued competition and the best

possible prices and services to users. We have noted elsewhere that new importing firms and banks entered the program near the end of the 1992/93 year and this was a positive sign for the program. However, it was also noted that these firms (and banks) lacked information about the program and about fertilizer marketing generally.

Many distributors, especially coffee cooperatives, lack an understanding of how fertilizer is traded in world markets and what influences its price. Nor do they have enough information on importers in Cameroon to make a selection on any basis other than price. As evidence of this, we have noted that some cooperatives have signed contracts with prospective importers who may not succeed in obtaining subsidy earmarking and thus will not be able to deliver fertilizer in time to meet farmer needs.

A special three-hour session for new participants at the Limbe conference, attended by several banks and importing firms, helped a great deal in this regard, but a more comprehensive program extending over at least three days is needed. It is recommended that a seminar/workshop be organized by the TSC and USAID in Cameroon, possibly with the help of the International Fertilizer Development Corporation (IFDC). Recommended for inclusion in such a program are the following:

- characteristics of the world market for fertilizer, roles of producers and brokers, price trends, how trade is financed, shipping costs;
- importing procedures, including letters of credit, bills of lading, port clearance procedures and costs;
- history of fertilizer importing in Cameroon, tons consumed by type, application rates by crop, forecast market trends;
- financing of fertilizer import and distribution in Cameroon, types of information required by commercial banks for loans;
- how to prepare a marketing plan with realistic sales forecasts; and
- how to qualify an importer in terms of his ability to carry out commitments.

To this end, the FSSRP Program Coordinator and the Technical Coordinator of the TSU attended a two-week workshop sponsored by IFDC entitled "Efficient Marketing of Fertilizer and other Agri-Inputs" held in Nairobi, Kenya during May 1992. Following the workshop, the FSSRP representatives held preliminary discussions with IFDC officials on the organization of a similar workshop to be held in Cameroon, tailored to the specific needs of Cameroon's fertilizer sub-sector and its private sector importers, distributors, and banks. Such a workshop has been tentatively planned for early in 1993, to be conducted by IFDC and sponsored by the FSSRP on a cost-reimbursable basis.

#### vi) Improved Information Flow on Fertilizer Marketing in Cameroon

Many fertilizer distributors and large users are handicapped by a lack of current information about fertilizer marketing in Cameroon. The TSU could contribute to increasing

the transparency of the market by carrying out the following functions:

- Maintenance of current information, available on demand, on importing firms, such as founding date, names of officers, registered capital, sales turnover, past imports of agricultural inputs, principal customers, and banking relationships.
- Publication of a monthly bulletin available by subscription with information on recent imports of fertilizer, distributor locations and types of fertilizer available for sale, and retail prices practiced in various markets around the country.
- Extracts from agricultural census data published by DEAPA on fertilizer usage, as well as special surveys such as the seven-province carried out with USAID support, to give a better understanding of how fertilizer is used by farmers and what influences his purchase decisions.
- Reports on current world fertilizer market prices and price trends.

#### 1.1.4 The Annual FSSRP Seminar/Workshop

The conference this year was held in Limbe, South West Province, April 9 to 11, 1992. It was attended by about 60 persons, representing commercial banks, importers, distributors, and government officials. The two consultants who authored this annual assessment each presented their findings and recommendations at this conference.

At the conclusion of the conference it was resolved to:

- (1) Approve the proposed modifications to the TSC/Fiduciary Bank and Fiduciary Bank/Commercial Bank agreements. (See separate report prepared by D. Lloyd.)
- (2) Charge the TSC to study further the matter of the fusion of the FSSRP and PSIE programs.
- (3) Note that the TSU had become operational and that it would take action to assure the flow of information desired by the fertilizer sub-sector.
- (4) Urge distributors to avoid concluding several contracts with importers covering the same needs, which leads to speculation.
- (5) Recommend the utilization of FSSRP funds to create a medium-term credit fund, but that the FSSRP should assume no risk in on-lending these funds to commercial banks.
- (6) Recommend that USAID finance a feasibility study for "investments in the fertilizer sector" (which referred mainly to a bulk blending plant in Douala).

- (7) Continue in force the requirement that importers take out an importation loan in order to access subsidy funds, but note that such loans could be wholly or partially reimbursed immediately without penalty; require that all imports be financed by letters of credit opened by Cameroon commercial banks; and reduce the time lapse from earmarking of subsidy funds to opening of a letter of credit from 45 to 30 days.
- (8) In view of the decline in fertilizer use on coffee in favor of food crops, recommend that the FSSRP carry out a multiyear study to better evaluate this trend.
- (9) In view of the extremely low coffee prices, recommend that subsidy levels, at a nominal 17% last year, not be reduced below 15% for the coming year, which would be sufficient to cover about 50,000 tons of imports, and further, express the wish that subsidies be continued until the price of raw materials (meaning mainly coffee) increase.
- (10) Reiterate the recommendation made at last year's conference that the Ministry of Agriculture adopt, as a priority, promotion of the utilization of fertilizer by farmers through extension and training programs.
- (11) Adopt the recommendation contained in the annual review calling for an education program for importers and distributors, and recommend that the FSSRP make the necessary funds available.
- (12) Note that the non-utilization of distribution loans by participants was an economic one and was not a situation specific to the FSSRP.

#### 1.1.5 Action on Recommendations in the 1990/91 Assessment

Following is a summary of the actions taken or not taken to date in response to recommendations in last year's annual assessment.

- (1) **Maintain subsidies at or near current levels.**  
This recommendation was implemented.
- (2) **Consolidate importation and distribution loan facilities and provide for 180 day repayment.**  
The two types of loans are still separately handled by commercial banks, but rules governing their disbursement are the same. Each type of loan is due 180 days from disbursement. A single borrower may take out both types of loans, but the import loan must first be repaid.

- (3) **Tighten documentary requirements relating to disbursement of loans and subsidies.**  
This recommendation was implemented.
- (4) **Streamline administrative procedures for release of loans and subsidies.**  
Implemented.
- (5) **Consider removing obligation to take out importation loan.**  
It was decided not to consider this change in program procedures.
- (6) **Take no action on concept of risk-sharing by the FSSRP on loans.**  
No action was taken.
- (7) **Consider using FSSRP funds for medium-term lending.**  
No action was taken last year, but such a recommendation was adopted at the Limbe conference in April 1992.
- (8) **Provide additional information about fertilizer marketing to banks.**  
No action was taken, although a special session was held at the Limbe conference for banks and importers interested in participating. Specific recommendations in this regard are made again this year (see above).

## 1.2 Performance of the FSSRP in 1991/1992

### 1.2.1 Historical Perspective on Imports and Sales to Distributors

At the end of four years of activities under the FSSRP, it is instructive to look at how imports and sales by importers to distributors have varied in response to declining fertilizer subsidies and to economic conditions in Cameroon. The data in Exhibit 1 below are derived from information submitted by importers and show annual imports, sales and stock levels for each of the four years of the FSSRP.

#### Exhibit 1

##### Importer Sales and Stocks, 1988/89 to 1991/92

Stocks, beginning 1988/89	0
Imports, 1988/89	63,000 tons
Sales, 1988/89	63,000 (approx.)
Stocks, beginning 1989/90	negligible
Imports, 1989/90	64,000 tons
Sales, 1989/90	25,000
Stocks, beginning 1990/91	39,000
Imports, 1990/91	22,000
Sales, 1990/91	44,000
Stock, beginning 1991/92	17,000 (est'd)
Imports, 1991/92	31,800
Sales 1991/92	35,600 (est'd)
Stock, beginning 1992/93	13,200 (est'd)

For the 1988/89 program year, imports and wholesale purchases (almost exclusively by coffee cooperatives) were in balance at around 63,000 tons. At this level, imports were approximately equal to those under the previous heavily-subsidized FONADER program. In 1989/90, imports remained at about the same level (64,000 tons) but sales dropped sharply (to 25,000 tons) as demand declined due to the effect of the huge reduction in coffee prices and the lack of rural liquidity due to accumulated arrears in ONCPB coffee payments. This demonstrated how closely fertilizer marketing was linked to coffee marketing at this point in the program. The result was a build-up of stocks held by importers and distributors which caused importers to reduce imports to 22,000 tons in 1990/91.

As their stocks were drawn down, distributors increased purchases in 1990/91 to 44,000

tons. Information from field interviews conducted during this period point toward an increasing diversification of fertilizer use, as farmers begin to apply it to food crops. Due to low world market prices for coffee, food crop production was becoming an attractive alternative or complement to coffee production. Importers responded by increasing imports in 1991/92, with the result that imports and purchases by distributors were approximately in balance at 32,000 to 35,000 tons.

It should be noted that the available data on fertilizer sales at the wholesale level is only an approximation of annual consumption at the farm level because of stock carryover in the hands of importers and distributors. Due to uncertainty about demand, distributors have tended increasingly to wait until almost the the end of the program year before placing orders with importers, and importers have then had to move quickly to avoid losing out on access to subsidies. The result is that sales of imports under this year's program are not made until well into next year's program, and matching sales against specific quantities of imports becomes increasingly difficult.

These trends are shown graphically in Exhibit 2. The convergence of the import and sales curves suggests that the wide disparities of the past two years between imports and sales, and the market uncertainties which accompanied them, are a thing of the past. With knowledge of the market acquired during the first three years of the program, importers and distributors are better able to gauge supply and demand and reduce the risks of excess or insufficient stocks. Under the influence of the marked shift away from coffee and toward more profitable food crops, the expectation is that consumption will be in the 35,000 to 45,000 ton range next year, provided that economic conditions in Cameroon do not deteriorate further.

It should be pointed out in qualification of the above conclusions about market forces that the availability of a fixed amount of subsidies each year (though declining each year) introduces a constraint into the system. Importers compete for "earmarking" of subsidies until the fund is exhausted (or the program year closes), since access to these subsidies means that importers have an approximate 20% cost advantage over sellers of non-subsidized fertilizer. For this reason, importers who successfully obtain subsidy earmarkings tend to overpurchase and retain larger stocks than they would otherwise do in order to take advantage of this saving. Although actions by commercial banks in qualifying requests by importers for earmarking -- and letter of credit financing of import transactions -- have tended to eliminate applications for unreasonably large earmarkings, the availability of subsidies has had an influence on the level of imports. Upon elimination of the subsidy, its effect on import levels will disappear and only market forces will influence demand.

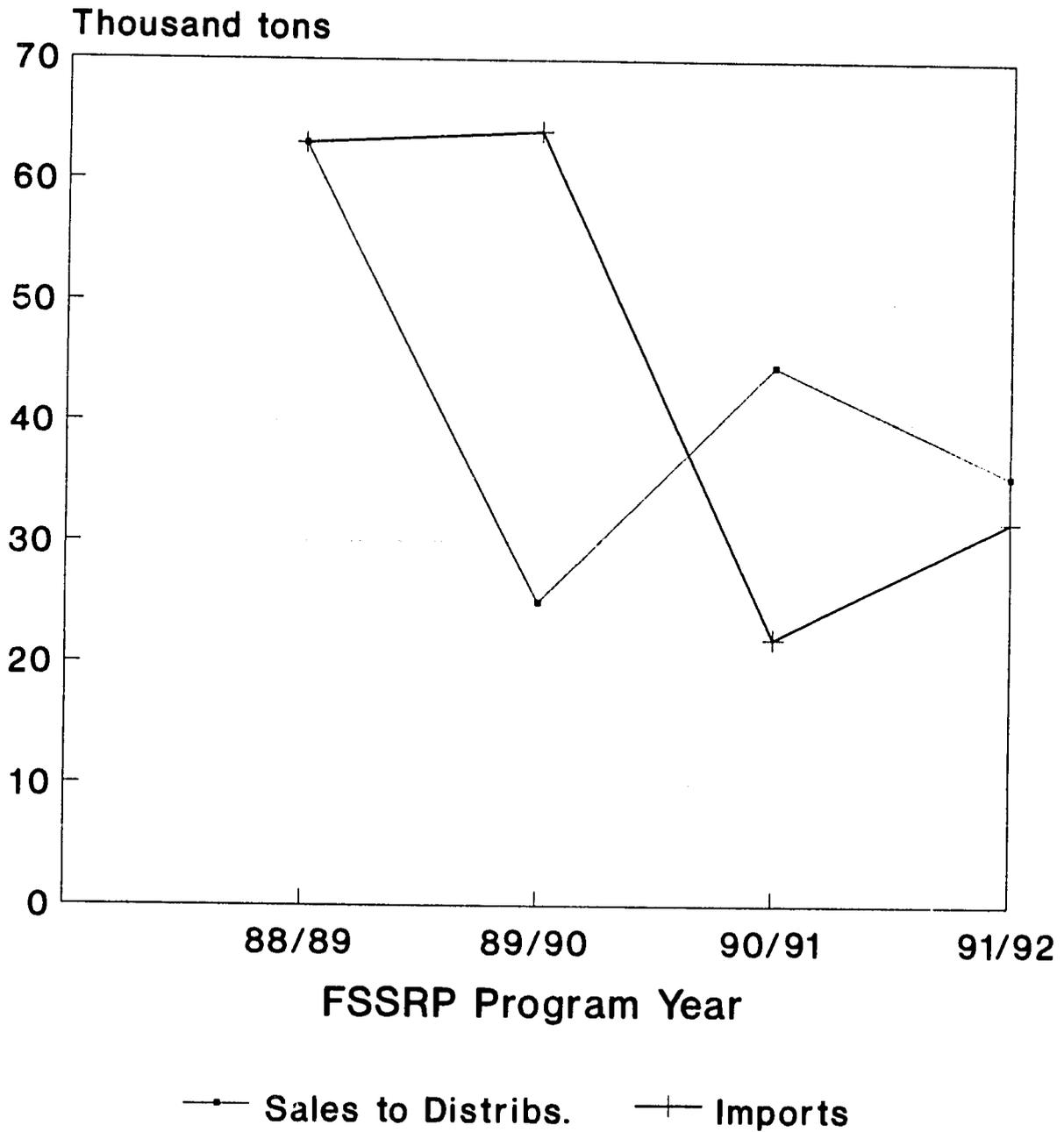
### **1.2.2 Importation of Fertilizer**

#### **i) Participation by Importers**

**IBEX** was again the dominant importer for the 1991/92 campaign, its imports of

## Exhibit 2

### Fertilizer Marketing Trends 1988 - 1992 ('000 tons)



Note: First series includes wholesalers & distributors

25,800 tons accounting for over 80% of total imports. IBEX marketed about 3/4 of this fertilizer to coffee cooperatives, vegetable cooperatives, private banana plantations, and a private string bean farm. Most of the balance went to small traders.

Pelenget SARL, a long-time importer of fertilizer and agricultural chemicals, participated in the FSSRP for the first time in the 1991/92 campaign. The company, a wholly-Cameroonian owned enterprise, imported 3000 tons of NPK 20-10-10. About 2800 tons of this amount is contracted for by coffee cooperatives (NWCA and UCCAO) and the rest will be retailed through the company's store in Bamenda.

A French-owned firm, ADER, also imported 3000 tons of fertilizer (NPK 20-10-10 and Urea) during the FSSRP 1991/92 campaign. ADER had participated during the first year of the FSSRP but not since. ADER plans to distribute this fertilizer directly through retail outlets in Yaounde, Douala, Bafoussam, and Nkongsamba.

Direct retail sale of fertilizer by Pelenget and ADER furthers one of the objectives of the FSSRP, which was to create distribution networks throughout the country.

Other importers who applied for earmarking but were unable to arrange financing for importation before the program year closed included:

Africa Imports  
 Complexe JBN  
 Groupe One

Importer participation over the past four years is as follows:

	<u>88/89</u>	<u>89/90</u>	<u>90/91</u>	<u>91/92</u>
Number of actual importers	3	2	1	3
Number applying for earmarking but which did not import	0	5	3	3
Total	3	7	4	6

If participation in the program is measured by the total number of firms who applied for earmarking, it will be seen that participation went from three firms in the first year to seven firms in 1989/90. However, in 1990/91, when there was a buildup of fertilizer stocks in the country, participation decreased to four firms, only to increase again to six firms in the past year, indicating a renewed and expanded interest in the program on the part of importers.

Another measure of importer activity is the number of firms making offers to distributors but which do not reach the point of applying for earmarking. For example, in response to the UCCAO request for tenders for 13,500 tons in April 1992, ten serious offers were received from importers. Generally speaking, competition for orders is usually between ten and twelve firms, though only a few of them ultimately import fertilizer under the program. It should be noted

that most of the non-participating firms are experienced importers, including several which have imported non-subsidized fertilizer in the past.

ii) Participation by Commercial Banks

The main determining factor in importer participation has proven to be the willingness of commercial banks to open Letters of Credit for them in favor of suppliers. This is largely based on the adequacy of collateral the importer is able to put up, typically a combination of foreign bank guarantees and cash deposits together with the FSSRP subsidy payment. Existing relationships over time with the commercial bank has also proven to be important. As a result, newly established firms with limited financial resources have tended to be excluded from the program in the past. A major reason for increased importer participation this year was the greater willingness of commercial banks to work with importers who had not previously participated in the FSSRP.

Three commercial banks participated in the 1991/92 campaign. Banque Internationale pour le Commerce et l'Industrie du Cameroun (BICIC) handled all of the IBEX imports, or approximately 80% of the total volume imported. SCB-Credit Lyonnais handled the ADER imports and Credit Agricole du Cameroun (CAC) handled the Pelenget imports. This marks the first time the latter two banks have participated in the FSSRP. (In fact, CAC only went into full operation during 1991.)

In the first three years of the program, only two banks -- BICIC and Meridien -- participated. Meridien decided not to be involved in the FSSRP during the 1991/92 campaign due to the uncertainty surrounding the Fiduciary Bank activities. Thus there has been a net increase of one bank during the past campaign.

iii) Fertilizer Imports and CIF Costs

The record of fertilizer imports since the beginning of the program is shown in Exhibit 3. Figures for imports by type for each year are shown, along with average CIF prices for each type. Weighted average prices for the various types for the four years of the program appear at the bottom. (Weighted average calculations are based on the percentage distribution by type for the four years combined, in order to compensate for the differing "mix" of types from year to year.)

NPK 20-10-10 has been the dominant type of fertilizer imported, accounting for 46% of all imports during the four years. Shipments have ranged from 23,000 to 26,000 tons, except in 1990/91 when declining demand and excess stocks sharply reduced imports. This type of fertilizer has accounted for an increasing percentage of total usage, mainly due to the percentage decline in imports of Ammonium Sulfate. NPK 20-10-10 is heavily used on coffee, but is popular among farmers for application to vegetable crops. CIF prices have declined 6.2% over this period.

**Exhibit 3**  
**Fertilizer Imports by Type and Average Cost**  
**1989/90 - 1991/92**

<b>TYPE</b>	<b>YEAR</b>	<b>TONS (T)</b>	<b>PCT (T/TOTAL)</b>	<b>AVG CIF COST (FCFA)</b>
<b>NPK 20-10-10</b>	1988/89	26,300	41.75%	63,257
	1989/90	23,230	36.20%	63,853
	1990/91	12,051	54.77%	64,776
	1991/92	21,050	66.19%	59,355
	<b>Total 4 years:</b>		82,631	45.66%
<b>NPK 12-6-20</b>	1988/89	12,000	19.05%	61,350
	1989/90	2,000	3.12%	66,500
	1990/91	1,492	6.78%	64,000
	1991/92	4,200	13.21%	55,083
	<b>Total 4 years:</b>		19,692	10.88%
<b>Urea 46-0-0</b>	1988/89	15,200	24.13%	54,046
	1989/90	24,942	38.87%	56,168
	1990/91	6,885	31.29%	46,222
	1991/92	5,250	16.51%	56,360
	<b>Total 4 years:</b>		52,277	28.89%
<b>Amm Sulf 21-0-0</b>	1988/89	9,500	15.08%	39,300
	1989/90	14,000	21.82%	39,586
	1990/91	1,575	7.16%	40,000
	1991/92	1,300	4.09%	35,497
	<b>Total 4 years:</b>		26,375	14.57%
<b>Total All Types</b>	1988/89	63,000	100.00%	56,897
	1989/90	64,172	100.00%	58,384
	1990/91	22,003	100.00%	55,721
	1991/92	31,800	100.00%	54,548
			180,975	100.00%

Urea is the second most important type imported. The indicated decline to just under 17% of imports in 1991/92 does not indicate a trend, but simply reflects the presence of excess inventories accumulated during the previous two years. In fact, indications are that many users now recognize the relatively low cost of Urea per unit of nitrogen, and use it where they might have used Ammonium Sulfate in the past. Prices have remained steady at FCFA 54,000 to 57,000, except for 1990/91 when IBEX was able to import lower cost product from Nigeria.

NPK 12-06-20 usage increased this past year relative to the previous two years, reflecting increased sales by importers to banana producers which use this type of fertilizer in higher proportion than do other consumers such as coffee and vegetable growers. CIF prices declined by 10% over the four years.

Ammonium Sulfate has steadily declined in usage as information on its disadvantages (high cost per unit of nutrient and soil acidifying characteristics) becomes more widely available to coffee planters and others.

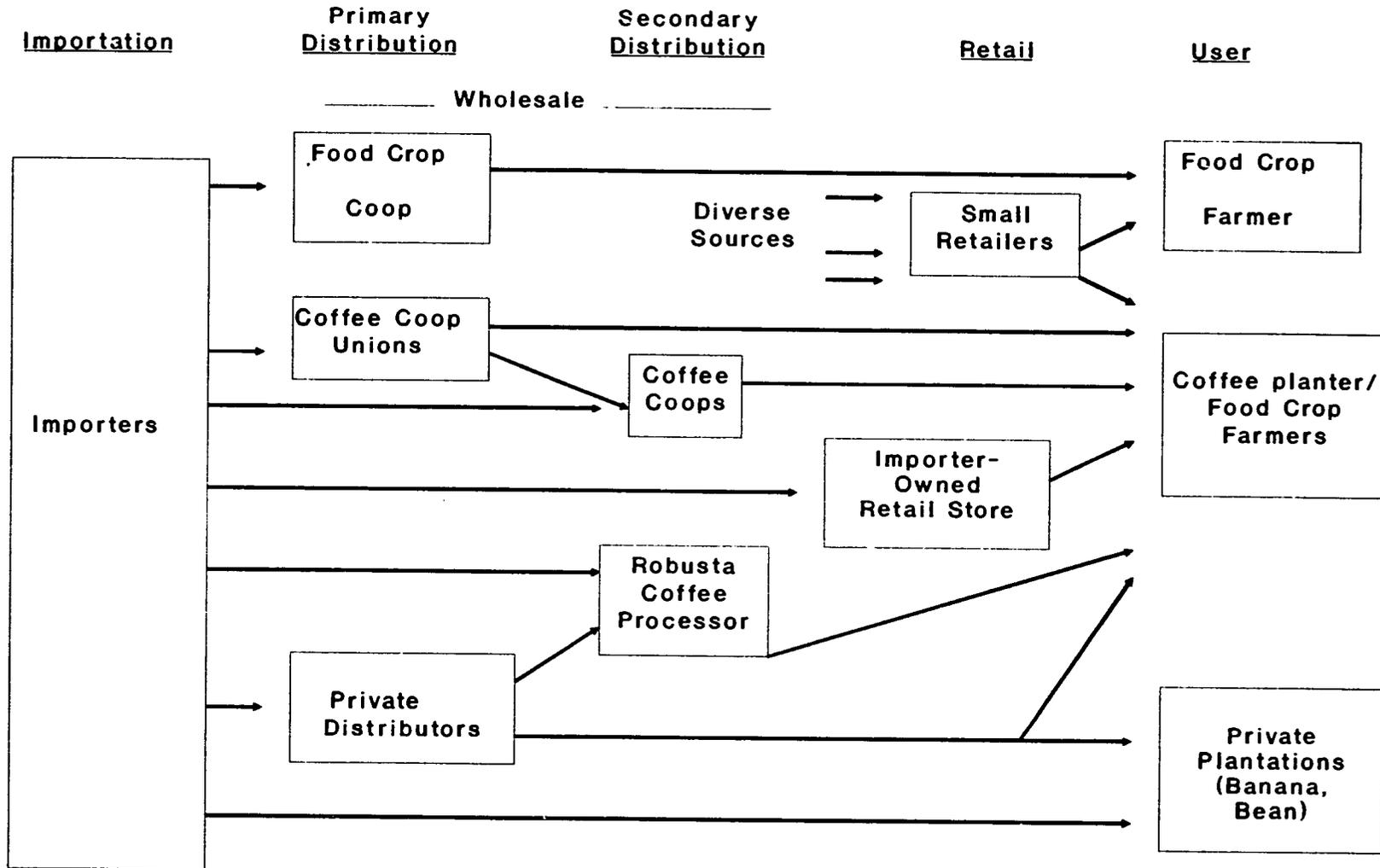
Weighted average prices for all types of fertilizer combined have fluctuated between FCFA 54,000 and 59,000 per ton, but overall have actually declined 4.1% over the four years. This favorable situation reflects the general stability of fertilizer prices on world markets over the period.

### 1.2.3 Distribution of Fertilizer

There have been marked changes in the pattern of distribution since the beginning of the program. In the first year, coffee cooperatives (and a vegetable growers cooperative) were the only distributors of fertilizer. In the second year, several small private distributors (and one banana plantation) also purchased fertilizer from importers. This trend continued in the third year.

The situation during the fourth year is depicted in Exhibit 4. We can now identify two types of wholesalers or distributors. At the primary level are the traditional purchasers, the cooperatives, along with an increasing number of private distributors who sell both to end users and to secondary distributors. The latter include individual coffee cooperatives who are now purchasing directly from importers rather than through their cooperative unions, many of which no longer have the resources to finance fertilizer purchases. Some coffee processors in the robusta growing areas are again assuming the role of supplying fertilizer to planters against deliveries of coffee, as coffee cooperatives become progressively weaker. In the past year, several importers have begun retail operations in the western provinces. In addition, a number of small fertilizer retailers have recently made their appearance, selling less-than-bag lots to small farmers. Some have purchased fertilizer cheaply from cooperatives wishing to dispose of old stock. Finally, privately-owned or operated banana plantations -- and one large green bean grower -- are buying increasing amounts from importers, and in some cases from distributors.

### Exhibit 4: Fertilizer Distribution Flow



Sales of fertilizer by type of purchaser during the past four years is shown in Exhibit 5. The figures will not correspond to annual imports as sales from carryover stocks were included in data reported by importers.

The trend over the past four years is toward a diversification of the customer base for importers, as sales to private corporate farms (bananas, beans) have increased. Sales to other distributors, as mentioned above, have formed an important part of total sales over the past three years. Finally, several importers have begun retail sales through company-owned stores. This market diversification, together with the opening of retail stores by importers, indicates that significant progress is being made toward achieving the FSSRP objective of creating a private commercial market system for fertilizer in Cameroon.

#### Exhibit 5

##### Importer Sales by Type of Customer (metric tons)

<u>Type of Purchaser</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/01</u>	<u>1991/92</u>
Coffee cooperatives	63,000	18,100	17,800	12,300
Food crop coop.	0	2,300	300	25
Parastatals	0	0	6,300	0
Pvt. banana plan'tns	0	2,500	1,400	10,300
Pvt. bean farm	0	0	0	1,200
Other distribs./traders	0	4,900	16,000	7,100
Planned direct retail	0	0	0	3,200

#### 1.2.4 Importation Loan Facility Operations

During 1992, the Standard Chartered Bank assumed the role of Fiduciary Bank as part of the takeover of the local branch of the Bank of Credit and Commerce. Most of the personnel handling the FSSRP accounts did not change, and there was no disruption in the operation of either the Importation Loan Facility or the Subsidy Fund.

Importation loans equal to 50% of the value of the shipments were taken out by each importer, as stipulated in the FSSRP. The record for the 1991/92 program year appears in Exhibit 6. As noted above, most shipments were handled by BICIC for IBEX. In the case of Loan #91-3, there were three separate shipments, so the loan was disbursed in three parts.

Beginning with the 1991/92 campaign, the maximum term for importation loans is 180 days (previously 90 days). As Exhibit 6 indicates, only the first three loans were due prior to the date of 12 October 1992 when this information was prepared by the Fiduciary Bank. Due dates for the remaining loans are 21 October 1992 and later. Importers continue to be scrupulous about repaying these loans since they are required to issue promissory notes for this amount to the Fiduciary Bank.

**Exhibit 6**  
**Importation Loan Status**  
**(as of 4 Sept. 92)**

Loan No.	Comm'l Bank	Importer	Tons	Loan Disbursal (FCFA 000)	Date Disb.	Date Repaid
91-2-1	BICIC	IBEX	1,100	28,875	6 Dec 91	15 May 92
91-2-1	BICIC	IBEX	3,500	98,491	27 Jan 92	15 May 92
91-3-1	BICIC	IBEX	2,600	70,265	7 Apr 92	open
91-3-2	BICIC	IBEX	5,400	172,125	21 Apr 92	open
91-3-3	BICIC	IBEX	2,000	50,400	5 May 92	open
91-4-1	BICIC	IBEX	4,000	117,520	3 July 92	open
91-5-1	BICIC	IBEX	7,200	196,960	21 Aug 92	open
91-6-1	SCB-CL	ADER	3,000	not yet	not yet	
91-7-1	Pelengat	CAC	3,000	not yet	not yet	

**1.2.5 Subsidy Fund Operations**

The status of the FSSRP subsidy fund at the beginning and end of the 1991/92 program year is shown below in Exhibit 7, along with data for 1990/91.

The balance declined from roughly FCFA 595 million to FCFA 85 million at the end of the year. No new deposits to the subsidy fund account were made by the Cameroon government during the year.

**Exhibit 7**  
**Status of the FSSRP Subsidy Fund**  
**(as of 12 October, 1992)**

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**1990/91 Campaign (not reported in last Assessment)**

Balance available, 28 February 1991 . . . . .	785,096,581
Disbursement, 5 March 1991 . . . . .	126,373,608
Disbursement, 2 May 1991 . . . . .	79,220,000
Interest earned . . . . .	16,288,060

**1991/92 Campaign**

Balance available, 29 June 1991 . . . . .	595,791,033
Disbursement 18 December 1991 . . . . .	21,010,000
Disbursement 1 March 1992 . . . . .	59,640,000
Disbursement 7 May 1992 . . . . .	178,020,000
Disbursement 24 August 1992 . . . . .	194,600,000
Disbursement 23 September 1992 . . . . .	56,700,000
Disbursement 12 October 1992 . . . . .	52,700,000
 Total Subsidy Disbursed . . . . .	 562,670,000
 Interest earned <sup>1</sup> . . . . .	 52,308,170
 Balance available, 12 October 1992 . . . . .	 85,429,203

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<sup>1</sup> Does not include interest accrued during October 1992.

## **2. FINANCIAL PERFORMANCE OF THE PROGRAM**

### **2.1 FSSRP Financial System and the Banking Sector**

A detailed description and analysis of the FSSRP financial system was made in Section 2.3 of the 1990 FSSRP Annual Assessment. Since this system has not changed significantly, it is not reviewed again here in detail but is summarized below for convenience.

The FSSRP provides subsidies and low-cost loans as financial incentives to private-sector importers to import and distribute fertilizer. Importers gain access to the subsidies and loans through Cameroonian commercial banks by opening a standard bank letter of credit to import the fertilizer. Upon receipt of shipping documents (required under the letter of credit) which prove that the fertilizer has been shipped or has arrived in Cameroon, the FSSRP low cost loan and the fertilizer subsidy may be disbursed through the commercial bank to the importer.

Credit risk for both the letter of credit and the fertilizer loan is assumed by the commercial bank. This structure is meant to induce the participating commercial bank to treat FSSRP importers as regular customers, lending to reliable borrowers but denying access to FSSRP financing to less credit worthy companies. For this reason, the health of the banking sector has an immediate effect on the FSSRP program. Bank decisions to restrict or loosen credit affect access to bank credit by potential FSSRP importers just as they do for other parts of the economy. This is of particular concern in Cameroon where the banking sector has been in a state of crisis for several years. The present state of the banking sector is reviewed below in Section 2.2 and its effect on the FSSRP is covered in section 2.3.

### **2.2 Present State of the Banking Sector in Cameroon**

#### **2.2.1 Reduction of Bad Debt and Recapitalization**

Background for the current crisis in the Cameroonian banking sector was reviewed in Section 2.3.2 of the 1991 FSSRP Assessment, and will not be repeated here. With the continued restructuring of individual banks, the situation has evolved and new developments are discussed below.

In reviewing figures released by the BEAC, the size of total bad debt in the banking sector should be revised upward compared to the CFA 375 billion mentioned in last year's FSSRP Assessment. In February, 1992, total outstanding bad debt ("creances douteuses") for all banks in Cameroon was CFA 227 billion, or 38.5% of total outstanding loans of CFA 590 billion. To these two totals should be added approximately CFA 200 billion held by the Societe de Recouvrements de Creances (SRC), which is the residual amount of bad loans from the five banks which have been liquidated or restructured. Taking these bad loans into account, defaulted debt amounts to CFA 425 to CFA 450 billion, well over 50% of total bank credit to the Cameroon economy or 15% of annual GDP.

As discussed in last year's Assessment, SCB-Credit Lyonnais was the bank in worst condition and in 1989 was the first to be restructured. This transformed SCB-Credit Lyonnais from the worst to the best capitalized and to the most liquid bank in Cameroon. In the past year, the other three large banks in Cameroon have also been restructured. In June, 1991, Meridien Bank purchased the branch system and the better assets of BIAO to become Banque Meridien BIAO Cameroun (BMBC). The new BMBC was recapitalized with new funds from Meridien Bank International. BIAO's remaining portfolio of doubtful debt was either liquidated or transferred to the SRC. In March, 1992 both SGBC and BICIC passed most of their existing capital into provisions for bad debt, wrote off large amounts of past-due parastatal loans, and transferred additional doubtful loans to the SRC. As part of the same operation, the banks were then recapitalized to their previous levels (CFA 6 billion) by the government of Cameroon and the banks' foreign shareholders. It is expected that the several smaller banks in Cameroon will be restructured and recapitalized before the end of the year.

The bank restructuring program is now essentially complete, and most banks in Cameroon are capable of resuming normal banking activity. However, with some notable exceptions, banks are still burdened with high levels of residual bad debt and available operational profits will be put into provisions for the next several years. Consequently, most of the banking sector will continue to be marginally profitable and relatively under-capitalized, especially in light of current general economic conditions. Expansion of credit, especially to more risky sectors such as agriculture, will be difficult.

### 2.2.2 Liquidity Situation

Liquidity continues to be a difficulty for the banking sector as the usual sources, the government, central bank refinancing, new bank capital, and private sector savings, have dried up. The government, traditionally the largest depositor, continues to incur large operating deficits and has severe liquidity problems of its own. Central Bank refinancing is heavily restricted because of overall credit limits imposed by the International Monetary Fund (IMF). Funds for new bank capital have been relatively small, especially since some of the bank recapitalizations have been accomplished through accounting reclassification rather than with new money. The biggest potential source of bank liquidity right now is private sector savings. However, the Cameroonian banking sector in general and some banks in particular have had difficulty maintaining their private sector deposits because of capital flight. Private sector depositors, including companies, have lost confidence in the troubled local banking system, are concerned about a potential CFA devaluation, and are attracted by relatively high interest rates in Europe. Actually, as one banker pointed out, there is no Cameroonian liquidity problem per se. It is just that Cameroonians choose to keep a large portion of their liquidity and investments outside Cameroon.

Because of the above factors, most funds available to banks in Cameroon are already being lent out and additional lending resources are very constrained. The low available supply of new credit and high demand is reflected in the current cost of credit. The legal maximum interest rate of 21 % per annum is often applied and even the best borrowers may pay 16-17 %,

although inflation is 2% or less. This liquidity situation is likely to persist with the current economic crisis and will only be remedied slowly as banks, and the Cameroonian economy, rebuild the confidence of private-sector depositors and investors.

### **2.2.3 Bank Lending to the Agricultural Sector**

As discussed in last year's Assessment, the agricultural sector is in weak financial condition, and this is reflected in comments by most FSSRP fertilizer users, importers, and distributors. Prices for coffee and cocoa, the traditional export crops for which most FSSRP fertilizer has been used, continue to be very low. It does not appear that most robusta coffee growers can afford to buy fertilizer at the current official coffee price of CFA 150/kg. As a result, agriculture and agricultural inputs including fertilizer are not very attractive areas of lending for banks.

### **2.2.4 Emergence of New Banks**

An interesting aspect of the difficulties experienced by the banking sector is the emergence of new banks. These banks have been created by entrepreneurial groups to fill specific niches in the Cameroonian banking market that have been neglected. Credit Agricole was created with German assistance to provide credit to the specialized needs of a poorly-served agricultural sector. CCEI has grown rapidly to a balance sheet total of CFA 20 billion in the last four years by providing personalized, rapid service to companies. Two other new banks have just opened to operate as an investment bank and as a bank for predominantly anglophone clientele. These banks are an indication of vitality and competition in the banking sector. Where opportunities for new profitable business exist, new bank services or entire new financial institutions are being created to take advantage of them.

## **2.3 Effect of the Banking Situation on the FSSRP**

### **2.3.1 Commercial Bank Treatment of FSSRP Fertilizer Imports**

In the FSSRP, commercial banks assume the credit risk for fertilizer imports and make the decisions about which fertilizer importers to finance. In the context of tight liquidity and credit which prevails in Cameroon, banks continue to regard FSSRP fertilizer imports as relatively risky transactions because of the link to agriculture, coffee in particular, and the banks' lack of knowledge of fertilizer use. This perceived risk is compounded by the fact that the highly price-sensitive FSSRP fertilizer market has been dominated by thinly capitalized, new entrepreneurs who can offer the lowest price. Certainly, the banks' strong preference would be to work with large, well-established companies which already have strong capital and an independent credit standing. However, these companies have either not been interested in the fertilizer market or have found that their overhead expenses are too high for them to compete in a price-sensitive market. (However, see comments in Section 1.2.2 to the effect that several new importing firms took part in the 1991/92 program.)

Since past and potential FSSRP importers have little capital, limited banking relationships, and no access to bank credit, banks have required that individual FSSRP transactions be fully secured. As described in detail in last year's Assessment, collateral has been provided through some combination of the anticipated FSSRP subsidy, a supplier stand-by letter of credit (or foreign bank guarantee) in the importer's favor, pledged drafts drawn on local established fertilizer purchasers, and cash deposits. This year, bank conditions for collateral have become stricter in one aspect and easier in another. On the one hand, some commercial banks no longer accepted the subsidy funds as guaranteed because of the Fiduciary Bank's anticipated restructuring, discussed below. They require that this be replaced by increased collateral from the other three sources. On the other hand, several banks have indicated their willingness to use the fertilizer itself as a partial guarantee against the letter of credit, which they refused to do last year. And, whereas banks which have already participated in the program will still not release the fertilizer loan to the importer, potential new participating banks have indicated their willingness to do so.

One very positive development in FSSRP financing has been the increased interest by different banks in the program. Although one bank, BICIC, has handled the bulk of FSSRP transactions in the last two years, a total of six banks now have the operational knowledge and ability to participate. Meridien BIAO has participated in the past and continues to discuss FSSRP transactions with current and potential importers. CCEI and Credit Agricole are two new banks which have earmarked FSSRP funds for the first time. Credit Lyonnais and Standard Chartered reviewed the program with USAID and stated their willingness to handle FSSRP transactions with their customers.

In sum, commercial banks continue to be very conservative in their approach to financing FSSRP importers and transactions. Nevertheless, they have become slightly less restrictive as their relationship with established importers improves and new commercial banks become interested in competing for FSSRP business.

### 2.3.2 Developments at the Fiduciary Bank

In June 1991, BCCI, the parent company of Bank of Credit and Commerce Cameroon (BCCC), was seized by international regulators and is now being liquidated. In July 1992, shortly after the launching of the 1991/92 FSSRP campaign, the GRC assumed effective control of BCCC to oversee its restructuring and ultimate acquisition by another bank. During this period, despite some withdrawal restrictions placed on BCCC for some of its customers, disbursements of FSSRP loan and subsidy funds proceeded normally. Nevertheless, some local banks lost confidence in BCCC and declined to consider the subsidy funds that it held in its capacity of Fiduciary Bank as a guaranteed source of repayment until those funds were actually received.

In July 1992, the formal acquisition of BCCC by Standard Chartered Bank, Cameroon (SCBC) took place. The FSSRP accounts were transferred intact to SCBC who, after signing a formal amendment to the original BCCC-TSC contract, assumed the role of FSSRP Fiduciary

**Bank.** The transfer of Fiduciary Bank responsibility to SCBC went smoothly, with a minor operational break during which time the contract was amended. It should also be noted that program continuity was greatly enhanced by the fact that SCBC, along with the FSSRP accounts, retained several former BCCC employees who had been responsible for oversight of the FSSRP accounts and who continued to be responsible for ongoing Fiduciary Bank operations for the 1991/92 FSSRP campaign.

### **2.3.3 Overall Evaluation of FSSRP Financial System**

Despite temporary problems with FSSRP funds at the Fiduciary Bank, the same overall conclusions about the FSSRP financial system can be drawn as last year. The FSSRP continues to facilitate the development of a private sector fertilizer importation and distribution system. The FSSRP financial structure has played a key part in this development. Acting through Cameroonian banks, it has effectively protected subsidy funds from misuse while rationing credit and equilibrating supply and demand for FSSRP fertilizer in Cameroon.

Some positive developments in the program occurred as banks seem to be moving toward a less restrictive attitude toward collateral requirements for FSSRP fertilizer imports. Several new banks are also poised to begin participating in the program and increased competition may further ease tight credit restrictions. Because of the tight liquidity situation, the continuing need for the revolving credit fund to provide liquidity for FSSRP transactions is clear. At least one bank said they would not participate in FSSRP transactions without it.

### **2.4 FSSRP Term Loan Facility**

One of the recommendations of the 1990/91 assessment was to consider using FSSRP funds to facilitate medium-term lending for capital investment in the fertilizer sector. This was based on the observation that, while the FSSRP assists the import and sale of fertilizer, it can only be imported in bags, which increases the cost substantially. The price of fertilizer to the farmer could therefore be reduced substantially by some capital investment in the fertilizer sector, for example in bagging and blending facilities. As part of this year's Assessment, a Credit and Finance Specialist was employed to design and propose a specific financial structure for a potential FSSRP medium-term loan facility. Recommendations for such a facility appear in Appendix A.

**APPENDIX A**  
**MEDIUM TERM LOAN FACILITY**

**1. Lack of Medium-Term Funds in Cameroon**

In preparing this report, interviews were conducted with seven local commercial banks, the central bank (BEAC), the Ministry of Finance, three potential investors, and the local offices of the World Bank, the International Finance Corporation (IFC), and the Caisse Centrale de Cooperation Economique (CCCE).

The message from all parties interviewed was clear: no medium-term funds are currently available in the Cameroonian banking system for projects in the fertilizer sector. And, using short-term funds to make medium term loans would expose imprudent banks to risks from a funding "gap" (if banks cannot repay short-term depositors because their funds are tied up in medium term loans) and an interest rate "gap" (if banks must pay a higher interest rate on short-term deposits than they are earning on medium term loans). Prudent bank management will usually "match fund" medium term loans to avoid these risks. Potential sources of medium-term funding in Cameroon are discussed individually below.

**1.1 Deposits with Commercial Banks**

In Cameroon, the BEAC sets minimum rates for deposits in each of the following categories:

- |                                  |              |
|----------------------------------|--------------|
| 1. Current Account:              | 0%           |
| 2. Savings Account:              | 8%           |
| 3. Certificates of Deposit (CD): | 7.5% minimum |
| ("Bons de Caisse" of 3 months)   |              |

The difference between a current account and a savings account is that checks cannot be issued for the latter. Withdrawals from both accounts can be made at any time. Time deposits and CD's are usually placed with banks for periods of three months, with some negotiated agreements for up to six months. Interest rates are negotiated between the bank and the depositor and are currently around 9%. Some banks with high liquidity needs and no access to BEAC refinancing are paying 11% - 12%, which is above the BEAC loan discount rate. The BEAC does not differentiate its interest rates for deposits of shorter or longer periods although commercial banks do to a limited extent. So, there is little incentive to place deposits for longer periods. Under current circumstances in the banking industry, it is doubtful that depositors would be willing to leave money on deposit with banks for longer periods even if they could obtain higher interest rates.

## 1.2 Central Bank Refinancing of Medium Term Loans

The BEAC can provide medium term financing to commercial banks by refinancing qualified medium term loans that the commercial banks make. However, this financing is considered within the overall credit limit the central bank sets for each bank, which is very restrictive because of IMF guidelines on monetary and credit growth. Also, the central bank approves all refinancing on a case by case basis and commercial banks have complained about an arbitrariness in these decisions; refinancing guidelines are unclear and access to funds is uncertain. Finally, commercial banks already often charge the maximum rate on short-term loans so there is no financial incentive to make riskier, medium term ones. For these reasons, there is currently very little refinancing at the BEAC.

## 1.3 Societe Nationale d'Investissement (SNI)

Like most other developing countries, Cameroon had specialized lending institutions, Banque Camerounaise de Developpement (BCD) and SNI, which had preferential access to long-term funds to be used for long-term investment in projects. Unfortunately, these institutions invested primarily in projects which performed poorly or not at all. BCD has been liquidated and, although SNI still exists, its only function is to repay the long term bonds it issued which are in default. Insurance companies and pension funds are also traditional sources of long-term funds. However, like the banking system, this sector is also in the process of restructuring and has no available funds for private sector investment.

## 2. Features of the FSSRP Medium Term Loan Facility

### 2.1 Loan Type: Commercial Bank Assumes All Credit Risk

Four types of medium-term loan facilities were considered: an "interest make-up margin" facility (discussed in last year's report), a guarantee fund, cofinancing or risk sharing agreement with the bank lender, and a loan facility to banks for which the bank assumes all credit risk. Our recommendation, which was adopted at the Limbe conference, is this last option. In this form, the medium term facility would resemble the short-term FSSRP fertilizer loans in that funds would be lent by a Fiduciary Bank to participating commercial banks for on-lending to eligible borrowers. All credit risk would be assumed by the participating commercial bank.

The first two options were discarded because of the medium term liquidity issue; in order to make medium term loans, banks must be provided with the necessary funding. A "risk-sharing" or cofinancing arrangement would involve FSSRP funds being lent either through a commercial bank or directly to the borrower on which the FSSRP would retain some portion of credit risk. If the loan were not repaid by the borrower, the FSSRP would share in the loss. While very attractive to commercial banks, who could make a partially risk-free loan, this option was rejected for two primary reasons. Firstly, the FSSRP has neither the administrative structure nor the qualified personnel to make credit decisions on loans for its own account. Furthermore, foreign assistance agencies and the Cameroonian government are already in the

process of considering a centralized "Fonds de Garantie Interbancaire" which would be available for guaranteeing a portion of medium term loans. Secondly, as with short-term fertilizer loans, the goal of the FSSRP is to promote private sector initiative in the fertilizer sector. In this context, banks and private-sector investors should assume the full risks associated with their investments.

## 2.2 Loan Purpose: Fixed Investment in the Fertilizer Sector

Loans are limited to financing fixed investment in the fertilizer sector, excluding transportation equipment, and are subject to preliminary approval by the TSC. Transportation equipment is the sole exclusion because a specialized finance company, SOCCAR, already exists for this purpose. Also, it is fairly easy to rent trucks, and transportation is not a bottleneck. Finally, in order for transportation to be a viable investment, trucks will have to be used for more than transporting just fertilizer. Under such conditions, it would be impossible to verify whether the trucks are primarily used for fertilizer transportation or for other goods. In sum, other possible investments in the fertilizer area are a higher priority and are more difficult to finance than transportation equipment.

There was also some discussion about whether storage depots should be eligible for financing since there seems to be an enormous surplus of such space throughout the country. It was decided that the decision about whether this would be a commercially viable project should be left to the commercial bank which assumes the credit risk.

## 2.3 Loan amount: Up to CFA 400 million

Loans may be used to finance up to 50% of total project cost, to a maximum of CFA 400 million. Project cost may include land, civil works, engineering, equipment, interest and operating costs during construction, and initial working capital. A minimum of 50% of project cost must also be financed through equity from the project sponsors.

The purpose of the facility would be to finance relatively modest-sized projects which are too small to be able to attract financing from institutions like IFC, DEG (the German private-sector assistance organization), or African Development Bank. Well-conceived, commercially viable projects larger than CFA 800 million (US\$ 3 million) would have no difficulty obtaining financing from these offshore sources. Finally the FSSRP medium-term facility (total CFA 1.2 billion) should have the capacity to finance at least two projects, not be absorbed by one large one.

A 50% equity contribution is not a high amount for a project related to the agriculture sector. Like other agricultural inputs, fertilizer use can be highly variable and a fertilizer company will need a strong capital cushion to be able to withstand extended periods of limited operation. Furthermore, investors should be expected to make a strong equity contribution to a project in exchange for access to low cost loans. This and the loan approval by the commercial bank will be the primary eligibility criteria for access to the medium term facility.

Finally, the 50% amount also corresponds to the amount of capital mentioned for projects to be eligible for the Fonds de Garantie Interbancaire program.

#### **2.4 Loan Interest Rate: 5% Charged to the Commercial Bank**

Commercial banks felt that the current 5% p.a. FSSRP interest rate, charged to the commercial bank as a fixed rate for the period of the loan, would provide sufficient incentive for both them and prospective investors to use the medium term facility. Interest will be payable quarterly, in arrears. The re-lending rate and any auxiliary charges by the commercial bank for the borrower will not be controlled, but will be negotiated between the bank and its customer.

Banks initially asked that a maximum rate be imposed. However, given that banks almost automatically charge the maximum rate on short-term credit, it seemed that setting a maximum could actually deter banks from offering lower rates to attract good projects. From a practical view, banks also noted that charging margins greater than the 7.5% currently allowed on short-term credit would be regarded as too high by banks themselves and could kill a good project. Finally, the TSC must approve each project (see below) and, as such, would be the final arbiter as to the appropriateness of the rate.

#### **2.5 Taxes: Exoneration from the Taxe sur Distribution de Credit**

Short-term FSSRP loans are exempt from this 1% p.a. tax and long term FSSRP loans for investment should be, too. However, this will require a special decree from the Ministry of Finance. The other 10.99% ICAI tax will be applicable.

#### **2.6 Earmarking Commission: CFA 50,000 Every Three Months**

An earmarking commission of CFA 50,000, payable in advance by the commercial bank, should be charged every three months to guarantee project access to FSSRP funds. Earmarking priority will be on a first-come, first-served basis. Earmarkings may be made for amounts up to CFA 400 million and must be accompanied by a well-prepared preliminary project proposal and analysis with a clear statement of the expected date of the commercial bank's final credit decision. Frivolous earmarkings for unjustified amounts will be denied by the Fiduciary Bank but earmarking commissions should not be refundable.

Earmarkings will automatically lapse after six months if not taken up. They may then be renewed but will lose priority over other outstanding earmarkings.

#### **2.7 Loan Tenure and Repayment Schedule**

Loans may be made for periods of between two and five years, starting from the date of the loan agreement. Interest will be payable quarterly, in arrears. Principal loan repayments will be made in equal quarterly installments starting 18 months after the date of the loan agreement or six months after the project operational commissioning, whichever is earlier.

(Banks were concerned that the borrower be kept on a relatively tight repayment schedule so that funds generated by the project are not used for other purposes.)

The principal and interest repayment schedule between the Fiduciary Bank and the Commercial bank will correspond exactly to that of the FSSRP loan made by the commercial bank to the FSSRP borrower. This schedule will be confirmed by the loan agreement between the commercial bank and the borrower, a copy of which will be furnished to the Fiduciary Bank. The repayment obligations of the Commercial Bank to the Fiduciary Bank will be represented by a series of dated and signed promissory notes representing the interest and principal due at each maturity date. These notes will be presented for payment on the appropriate date regardless of the status of the commercial bank loan to the FSSRP borrower.

## **2.8 Loan Disbursement**

Loan disbursement will be made by the Fiduciary Bank to the Commercial Bank against presentation of a disbursement request signed by both the commercial bank and the borrower stating the funds are needed for the project and will be used immediately for that purpose. This will help protect against premature disbursement of the funds to the commercial bank which may use them for other purposes.

## **2.9 Eligibility Requirements**

For commercial banks, the same requirements as are currently applied under the FSSRP. For borrowers, the ability to invest capital amounting to 50% of the project cost will be the primary eligibility requirement. Also, the borrower (or any investor owning more than 25% of the borrower) should have good credit standing and should not be in default on loans from other banks in Cameroon. To verify this, the Fiduciary Bank should conduct an official credit check of the borrower's status with other banks. The borrower will be informed of this in advance and the credit check will be performed immediately after earmarking. No loan funds will be disbursed until after the credit check is complete.

## **2.10 Reporting**

The commercial bank will be required to inform the Fiduciary Bank of:

- a) any actual or anticipated delay in project completion of more than 60 days;
- b) completion of project construction and commissioning;
- c) any delays in payment of interest or principal;
- d) once operational, the project's audited, annual financial results (balance sheet and income statement) within 90 days of the end of their fiscal year.

The Fiduciary Bank will be required to furnish copies of the above plus a quarterly report on FSSRP loan outstandings and performance.

The Fiduciary Bank will conduct two inspections of the project site at six months and 12 months following first disbursement to verify that the funds disbursed are indeed being applied to the project. Reasonable costs for these visits will be budgeted and approved by the TSC beforehand and will be reimbursed to the Fiduciary Bank from FSSRP program funds.

#### 2.11 TSC Loan Approval

Once a commercial bank has given its official credit approval to a fertilizer project, the bank will present the project to the TSC via the Fiduciary Bank for approval for FSSRP medium-term funding. The TSC will respond within one month after submission via the Fiduciary Bank of an official financing request. If no response is received from the TSC by the Fiduciary Bank within one month, the project will be considered approved and funds may be disbursed. If the TSC response is negative, the response must specify the deficiencies in the financing request and give the commercial bank one month to rectify them. During this month the earmarking will be kept open.

#### 2.12 Fiduciary Bank Remuneration

The Fiduciary Bank should be remunerated for its management of the medium-term loan fund in the same manner as the other FSSRP funds. All FSSRP undisbursed funds should be covered by the same flat annual management commission. In addition, a flat commission (CFA 100,000 - to be negotiated with the Fiduciary Bank) should be paid to the Fiduciary Bank to cover its incremental costs for each new loan. Also, an annual fee (.25% or less of average annual outstanding medium term loans - to be negotiated with the Fiduciary Bank) is justified to cover the ongoing costs of monitoring loan outstandings and repayments.

## APPENDIX B FIDUCIARY BANK ACTIVITIES

### 1. Special Local Currency Account

The Fiduciary Bank manages the Special Local Currency Account (SCLA). A record of deposits and disbursements from this account by calendar year since the beginning of the program appears in Exhibit B-1. USAID deposits were made during 1988 and 1990. Funds are transferred periodically to the Revolving Credit Fund for disbursement to commercial banks, which in turn use the funds to extend importation loans to fertilizer importers. Three such transfers were made, one each in 1988, 1989, and 1990. The Revolving Credit Fund continues to operate with these funds, all importation loan repayments having been made on schedule. The Technical Support Unit of the FSSRP, created in 1991, received operating funds during 1991 and 1992 from this account.

### 2. Subsidy Fund Operations

An overall view of Subsidy Fund operations was presented in Section 1.2.5, Exhibit 7. Actual disbursements by shipment for the 31,800 tons of fertilizer imported are shown in Exhibit B-2.

### 3. Subsidy Rates

Subsidy rates for each of the four years of the program are shown in Exhibit B-3. Figures in the final column are actual subsidies as a percent of delivered cost -- as opposed to nominal rates established at the beginning of each year based on assumptions regarding tonnages and types to be imported. Average distribution cost is calculated from estimated inland transport costs, handling costs, and assumed distributor margins. This figure plus CIF costs gives average delivered cost. Figures for average retail price, included for reference only, are arrived at by subtracting per ton subsidy rates from average delivered cost.

The downward progression of subsidy rates is illustrated by the figures in the final column. On a weighted average basis, subsidies for all types of fertilizer taken together have declined from 36.7% in the first year to 20.2% in the fourth year. Comparing this rate to the 66.3% rate under the old FONADER program (bottom line), it will be seen that subsidies are now less than one-third the rate in 1987/88.

Distribution costs have declined 20% since the first year of the program, and are 34% lower than under the FONADER program. Increased competition among importers and resulting lower gross margins are one cause of the decline. Another reason is lower transport costs, as truckers who haul fertilizer compete in a smaller market during difficult economic times.

**Exhibit B-1**  
**Status of the FSSRP Special Local Currency Account**  
**(as of 30 September, 1992)**

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Calendar Year 1988

Counterpart Fund Deposit #1 . . . . .	1,710,000,000
Transfer to Revolving Credit Fund . . . . .	745,000,000
Counterpart Fund Deposit #2 . . . . .	484,500,000
Interest earned 1988 . . . . .	52,868,802
Balance ending 1988 . . . . .	1,502,368,802

Calendar Year 1989

Transfer to Revolving Credit Fund . . . . .	1,032,045,021
Interest earned 1989 . . . . .	92,135,468
Balance ending 1989 . . . . .	562,459,249

Calendar Year 1990

Counterpart Fund Deposit #1 . . . . .	782,500,000
Transfer to Revolving Credit Fund . . . . .	81,906,000
Interest earned 1990 . . . . .	94,606,135
Balance ending 1990 . . . . .	1,357,659,384

Calendar Year 1991

Transfer to Technical Support Unit . . . . .	66,600,000
Interest earned 1991 . . . . .	96,580,764
Balance ending 1991 . . . . .	1,387,640,148

Calendar Year 1992

Transfer to Technical Support Unit . . . . .	19,400,000
Interest earned 1992 (through 9/30) . . . . .	100,487,794
Balance 30 September 1992 . . . . .	1,468,727,942

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**Exhibit B-2  
Subsidy Disbursements, 1991/92 Campaign**

NPK 20-10-10		NPK 12-06-20		Urea		Ammonium Sulfate		TOTAL	
Quantity (T)	Subsidy (FCFA)	Quantity (T)	Subsidy (FCFA)	Quantity (T)	Subsidy (FCFA)	Quantity (T)	Subsidy (FCFA)	Quantity (T)	Subsidy (FCFA)
2,450	46,305,000	1,100	21,010,000	750	11,175,000	300	2,160,000		
5,400	102,060,000	3,100	59,210,000	2,000	29,800,000	1,000	7,200,000		
2,600	49,140,000			1,500	22,350,000				
5,600	105,840,000			1,000	14,900,000				
3,000	56,700,000								
2,000	37,800,000								
<b>21,050</b>	<b>397,845,000</b>	<b>4,200</b>	<b>80,220,000</b>	<b>5,250</b>	<b>78,225,000</b>	<b>1,300</b>	<b>9,360,000</b>	<b>31,800</b>	<b>565,650,000</b>

Exhibit B-3: Subsidy Rates Based on Actual Costs (FCFA/T)

Fertilizer Type	Avg CIF Cost	Avg Dist Cost	Avg Deliv Cost	Subsidy	Avg Retail Price	% CIF Value	% Deliv Cost
1991/92							
NPK 20-10-10	59,355	23,648	83,003	18,900	64,103	31.8%	22.8%
NPK 12-06-20	55,083	23,648	78,731	19,100	59,631	34.7%	24.3%
Urea	56,360	23,648	80,008	14,900	65,108	26.4%	18.6%
Ammon. Sulfate	35,497	23,648	59,145	7,200	51,945	20.3%	12.2%
Wt'd Average	54,549	23,648	78,197	16,061	62,135	28.9%	20.2%
1990/91							
NPK 20-10-10	64,776	24,827	89,603	23,300	66,303	36.0%	26.0%
NPK 12-06-20	64,000	24,827	88,827	23,600	65,227	36.9%	26.6%
Urea	46,222	24,827	71,049	19,900	51,149	43.1%	28.0%
Ammon. Sulfate	40,000	24,827	64,827	15,200	49,627	38.0%	23.4%
Wt'd Average	55,721	24,827	80,548	21,170	59,378	38.4%	26.3%
1989/90							
NPK 20-10-10	63,853	24,827	88,680	28,200	60,480	44.2%	31.8%
NPK 12-06-20	66,500	24,827	91,327	27,000	64,327	40.6%	29.6%
Urea	56,168	24,827	80,995	23,800	57,195	42.4%	29.4%
Ammon. Sulfate	39,586	24,827	64,413	17,300	47,113	43.7%	26.9%
Wt'd Average	58,385	24,827	83,212	25,210	58,002	43.2%	30.1%
1988/89							
NPK 20-10-10	63,257	29,723	92,980	36,600	56,380	57.9%	39.4%
NPK 12-06-20	61,350	29,723	91,073	35,000	56,073	57.0%	38.4%
Urea	54,046	29,723	83,769	27,500	56,269	50.9%	32.8%
Ammon. Sulfate	39,300	29,723	69,023	23,800	45,223	60.6%	34.5%
Wt'd Average	56,898	29,723	86,621	31,932	54,689	56.1%	36.7%
1987/88							
Wt'd Average	97,600	36,000	133,600	88,600	45,000	90.8%	66.3%

#### **4. Importation Loan Operations**

The full record of imports under the 1991/92 program appears in Exhibit B-4. The table indicates for each shipment the supplier, the tonnage by type of fertilizer, the per ton cost, and the subsidy payment earmarked (valeur consignée). The next to the last column gives the latest date by which the commercial bank must issue an L/C (45 days after subsidy earmarking). The final column gives the date of expiration of the earmarking.

Exhibit B-5 is a record of importation loans under the 1991/92 program. According to FSSRP stipulations, the amount disbursed (montant déboursé) is equal to one-half of the CIF value of the fertilizer. Loans are due no later than 180 days from disbursement. Loans due by the date of preparation of the table (12 October 1992) have all been repaid (date de remboursement). Interest paid on these three loans is also shown.

Exhibit B-4  
Situation des Importations  
as of October 12, 1992

No de la Transaction	Importateur	Fournisseur	Date du Contract	Banque Commerciale	Base du Contrat	Type d'Engrais	Quantite (tons)	Val. Unit du Contrat (FCFA/ton)	Subven-consignee	Valeur Consignee	Date d'Exp. L/C	Date d'exp. Consignation
91-1	IBEX SARL	ERGIC International N.V.SA Itallienne	16.10.91	BICIC	Commande de Jardins de Foubot datee le 15/09/91	NPK120620	1100	58000		21010000	17.11.91	9.2.92
91-2	IBEX SARL	ERGIC Int'l. N.V./SA Itallienne 55-57, 2000 Antwerpen	09.12.91	BICIC	Ctrt.No 010/1291 Ste des Plantations Nouvelles du Penja	NPK201010 Uree 46% S/A 21%	2450 750 300	62875 59950 49250		46305000 11175000 2160000	Jan. 92	25.3.92
9-3	IBEX	Int'l. Ore & Fertilizer Corporation	02.03.92	BICIC		NPK201010	2600	54050	49140000	70265000	20.4.92	3.6.92
	IBEX	Int'l. Ore & Fertilizer Corporation	02.03.92	BICIC		NPK201010	5400	63750		1721250000	21.4.92	3.6.92
	IBEX	Int'l. Ore & Fertilizer Corporation	02.03.92	BICIC		Uree	2000	56000		50400000	21.4.92	3.6.92
91-4	IBEX	ERGIC Int'l	23.04.92	BICIC		NPK120620	1600	56000	30560000	44800000	10.7.92	5.8.92
						NPK201010	2400	60600	45360000	72720000		
91-5	IBEX	Int'l. Ore & Fertilizer Corporation	23.04.92	BICIC		NPK201010	3200	60600	60480000	96960000	10.7.92	27.7.92
						NPK120620	1500	56000	28650000	42000000		
						Uree 46%N	1500	54000	22350000	40500000		
						S/A 21%N	1000	35000	72000000	17500000		
91-6	ADER	Commerciale des Potasses & de l'Azote	27.04.92	SCB-CL		NPK201010	2000	63750	37800000	63750000		5.8.92
						Uree 46%N	1000	61000	14900000	30500000		
91-7	PELENGET	UNIFERT EUROPE S.A. Bruxelles	14.5.92	CAC		NPK201010	3000	53800	56700000	80700000	30.6.92	28.9.92

Exhibit B-5  
 Situation des Prêts à l'importation  
 as of 12 October 1992

No de la Transaction	Importateur	Banque Commerciale	Type d'Engrais	Quantite	Date de Deboursement	Montant Deboursement	Date de Remboursement	Frais de Gestion	Montant Consigne	Interets percus	Situation
91-1-1	IBEX SARL	BICIC	NPK120620	1100	6.12.91	28875000	15.5.92		28875000	539000	Closed
91-2-1	IBEX SARL	BICIC	NPK201010 Uree 46% S/A	2450 750 300	27.12.92 -- -- -- --	98491225	15.5.92		98491225	1236612	Closed
91-3-1	IBEX SARL	BICIC	NPK201010	2600	7.4.92	70265000	8.10.92		70265000	1756621	Closed
91-3-2	IBEX SARL	BICIC	NPK201010	5400	21.4.92	172125000	OPEN		172125000		OPEN 26.10.92
91-3-3	IBEX SARL	BICIC	Uree	2000	5.5.92	50400000	OPEN		50400000		OPEN 11.11.92
91-4-1	IBEX SARL	BICIC	NPK120620 NPK201010	1600 2400	3.7.92 3.7.92	44800000 72720000	OPEN OPEN		44800000 72720000		OPEN 5.12.92 OPEN 5.12.92
91-5-1	IBEX SARL	BICIC	NPK201010 NPK120620 Uree 46% N S/A 21% N	3200 1500 1500 1000	21.8.92 21.8.92 21.8.92 21.8.92	96960000 42000000 40500000 17500000	OPEN OPEN OPEN OPEN		96960000 42000000 40500000 17500000		OPEN 23.2.92 OPEN 23.2.92 OPEN 23.2.92 OPEN 23.2.92
91-6-1	ADER	SCB-CL	NPK201010 Uree 46% N	2000 1000	12.10.92 12.10.92	63750000 30500000	OPEN OPEN		63750000 30500000		OPEN 15.4.92 OPEN 15.4.92
91-7-1	PELENET	CAC	NPK201010	3000	11.9.92	80700000	OPEN		80700000		OPEN 13.3.92'

## **APPENDIX C COMMERCIAL BANK ACTIVITIES**

### **1. Banque Internationale pour le Commerce et l'Industrie du Cameroun (BICIC)**

**Interviewed: Mr. Arthur Kamssue, Assistant Credit Manager (Douala)**

#### **1.1 Review of Fertilizer Transactions**

**BICIC handles most of the FSSRP transactions in the past year. BICIC's success with the FSSRP is due in large part to Kamssue himself, who seems to be the only person at the bank who knows the program and its procedures.**

#### **1.2 BICIC Restructuring**

**BICIC has just been recapitalized through an accounting "coup d'accordion". Its CFA 6 billion capital was first wiped out by putting it toward provisions against bad debt. Then existing deposits and short term loans from shareholders were transformed into a new CFA 6 billion capital base. This was purely an accounting transaction; no new money was paid in to BICIC for new capital. Barclays Bank, which originally owned 9% of BICIC, did not participate in the recapitalization because it had no deposits or loans to BICIC. As a result, Government of Cameroon increased its ownership of the bank from 51% to 60%, with the balance being held by BNP and a small group of other European banks.**

**BICIC also received CFA 8.5 billion from CCCE via the Cameroonian government to repay past due debts. And, the bank should be receiving CFA 5 billion from CCCE through SNI to repay past due interest on the long-term SNI "bons d'equipement" that all Cameroonian banks had been required to buy. Kamssue did not mention that these funds would only serve to reduce BICIC's borrowing from the central bank (as Raffiot at Credit Lyonnais claimed) but he did say that BICIC's liquidity situation would remain extremely tight.**

**In addition to these operations, BICIC expects to transfer or exchange about CFA 10 billion in loans to the Societe de Recouvrements de Creances before June. These constitute private or public sector debt judged to be unrecoverable, so this should help to improve the quality of the assets in the Bank's balance sheet. The difficult aspect of the transaction is that the corresponding amount of liabilities must also be transferred, further straining BICIC's liquidity situation. Kamssue noted that certain customers wanted to have their debt transferred to the SRC because BICIC could not negotiate a partial repayment without adequate capital to write the debt down. The SRC was created to negotiate arrangements to reschedule debt and obtain some partial repayment.**

**As a result of these various operations, BICIC will have increased its provisions from 45% to 60% of the CFA 100 billion in doubtful debt it has on its balance sheet (versus a total**

loan portfolio of CFA 230 billion). It is obvious that BICIC will still need to set aside substantial provisions against doubtful debt in the future. This restructuring is just a beginning.

Aside from the purely financial aspects of the restructuring, BICIC has made a substantial effort to improve its operating efficiency. It has closed 3 or 4 branches (essentially dividing outlying areas of Cameroon up between itself and SGBC), and has reduced personnel from 1400 to 950. BNP will still have a "technical assistance" contract and will provide senior management for the bank.

### 1.3 FSSRP Importers

Kamssue concurred with Meridien/BIAO that the FSSRP importers have been thinly capitalized trading companies which are relatively unattractive and risky for banks. Groupe One, which has been trying to put together a FSSRP transaction for over a year, had claimed that BICIC/Douala was their primary bank. Kamssue stated that the company had only just requested an account with BICIC and that they had had no business with the company in the past. Furthermore, Groupe One has provided only the minimum documentation on itself, a copy of the "patente" or tax paid to the government to register as a company, but no financials.

IBEX has not provided BICIC with financials either, although they have been conducting transactions with BICIC for over two years. IBEX only channels FSSRP transactions through BICIC and does not keep operating balances with them. Kamssue confessed to knowing nothing about the company aside from its involvement in the FSSRP fertilizer imports. According to Kamssue, IBEX has no real assets in Cameroon, is a corporate "empty shell". Therefore, BICIC is in no position to take risk on the company itself and insists on at least 100% in realizable guarantees (cash, drafts drawn on strong companies, foreign bank guarantees).

As in years past, BICIC continues to hold the importation loan on its books. That is, it receives the loan from the Fiduciary Bank, opens up a "loan account" on its books on which it charges 5% (BICIC could charge up to 8%), but, rather than releasing the funds to the importer, places the funds in a blocked deposit on its books earning 0% interest for the importer. As was discussed at length in last year's report, this is a standard practice in the banking system to increase earnings on letter of credit (L/C) transactions, commissions on which the government has limited to a low 1% per annum. The net effect of this is that the importer does not get access to the funds, as originally intended, but pays interest on them anyway. The commercial bank gains because it gets "free use of funds" instead of having to pay interest on a time deposit. Kamssue claimed that, at BICIC, IBEX did realize some benefit from the FSSRP fertilizer loan. Although the L/C transaction is fully guaranteed, Kamssue said that there is often a delay in actually receiving money from the guarantee sources, so IBEX may have temporary overdrafts with BICIC. Because of the blocked importation loan/blocked deposit, BICIC charges no interest on these overdrafts. Nevertheless, it seems safe to say that the transaction would be cheaper for the importer if the importation loan were not made at all.

#### 1.4 UCCAO

Kamssue brought us up to date on the situation at UCCAO. This "apex" cooperative will continue to have a monopoly on arabica coffee exports from its regions through the end of the year. However, the two strongest of its cooperative members, CAPLAME and CAPLAMI which account for 50% of UCCAO capital, have refused to honor any joint and several guarantees in favor of UCCAO. Effectively, they have refused to subsidize the four other weaker cooperatives, which have been primarily responsible for UCCAO's losses of CFA 2-3 billion in each of the last three years. Despite these heavy losses, UCCAO apparently still does not have to borrow money to fund normal operations because of its strength and liquidity from earlier years.

#### 1.5 Credits de Campagne

The preferential rediscount rate of 8% at the central bank for agricultural products has been eliminated in the past year. Now there is only one rediscount rate for all operations refinanced at the central bank, 10.75%. Kamssue said that banks are uniformly charging the maximum spread of 21% (including 3% taxes) on agricultural lending this year. Since the three month lending base rate in Paris is now about 10-1/16, those organizations that can borrow overseas do so. This is part of the reason that the large coffee/cocoa purchasers (Phibro, Tardival) have set up offices recently in Douala. Successful purchasers of these commodities must provide financing to the Cameroonian exporter to buy the coffee/cocoa from the cooperatives or farmers. When these companies become lenders, they need to follow their customers more closely. Kamssue said that banks in Cameroon were not concerned about the flight of their best local customers to offshore sources of capital. Relative to their limited liquidity resources, demand for credit from good customers is still high. Furthermore, Cameroonian banks in general are not that interested in financing coffee since it is not clear that it is profitable to grow coffee in Cameroon at current prices. Banks still have CFA 15 billion in past due ONCPB debt on their books and financed primarily cocoa exports last year.

#### 1.6 Medium Term Lending Facility

Kamssue was quite interested in a medium term lending facility with FSSRP funds. In general, he said that banks may not be that interested in financing fertilizer bagging and mixing plants because of their bad memories of the SOCAME fiasco. Almost all local banks participated in financing this project and lost money on it when the plant failed and the government did not honor its guarantee. Kamssue was in favor of a program where the FSSRP would lend funds to the commercial bank and also assume some risk. He also felt that a project in this sector should be strongly capitalized, at least 40% of project cost should be covered by equity funds.

#### 1.7 BCCC as Fiduciary Bank

Like other bankers that we met, Kamssue is quite familiar with BCCC liquidity problems and negative net worth. He stated forthrightly that this situation has had a negative effect on the

FSSRP program. Whereas in the past, BICIC would accept the subsidy funds as a partial guarantee against opening the fertilizer import L/C, they no longer do so since they cannot count on actually receiving the subsidy funds from BCCC. The letter from the Ministry of Finance in support of BCCC was worthless in his view since the government has guaranteed large amounts of parastatal debt that the banks are now writing off. Examples of government-guaranteed borrowings which have not been repaid include the CFA 70 billion in SNI debt and even the debt which financed the SOCAME plant (the fertilizer plant which is now rusting in Douala port).

## 2. Banque Meridien BIAO Cameroon (BMBC)

Interviewed: Mr. Daniel Hasser, Directeur de l'Exploitation  
Ms. Gisele Moulong, Credit Manager  
Mr. Ferdinand Ngon-Kemoum,

In past years, Ms. Moulong has been the person most involved with FSSRP transactions at Meridien. She has passed this direct responsibility on to Mr. Ngon Kemoum, who is also familiar with the program and represented Meridien at the Limbe seminar. Mr. Hasser, who stayed on from BIAO, is now in charge of lending and seemed very interested in the program.

### 2.1 Background/Financial Situation

Since our last visit, Meridien Bank has taken over BIAO-Cameroon to become Meridien BIAO, the fourth largest bank in Cameroon. BIAO-Cameroon had been officially in liquidation since June, 1989 when BIAO-France, the French parent, "abandoned" its stock. BIAO-France was itself being liquidated by BNP, whom the French government had required to take over the ailing Paris-based African banking group. BNP, not seeing any future in their new bankrupt Cameroonian affiliate (and already burdened by another of their own, BICIC), reportedly paid an amount of money to the Government of Cameroon to withdraw from the bank. After this withdrawal, BIAO-Cameroon, with the Government of Cameroon as its sole owner but under French management (Claude Tournaire, now Provisional Manager of BCCC), closed branches and reduced staff (from 1200 to 500) to make itself attractive to potential purchasers.

In November, 1990, Meridien Bank, a Lusaka-based African banking and trading group owned by Andrew Sardanis, proposed to purchase BIAO-Cameroon from the Government of Cameroon as part of its acquisition of the BIAO bank system in West and Central Africa. BIAO, the former West African central bank during French colonisation, had bank affiliates in almost all sub-saharan francophone countries plus Nigeria. This purchase was concluded in early 1991 and covered all BIAO affiliates except those in Cote d'Ivoire, Nigeria, Congo and the Comoro Islands. In Cameroon, the new Banque Meridien BIAO Cameroon ("BMBC") opened on June 3, 1991. In Cameroon, Meridien purchased only the good assets in which it was interested - the branch system with its deposits and a portfolio of the better loans. The remaining bad loans were either written down by the government or passed over to the Societe de Recouvrement de Creances for restructuring and recovery. BIAO itself was officially liquidated. In reality, other

bankers and another Meridien employee clarified that Meridien was forced to assume substantial amounts of BIAO bad debts that would take at least 4-5 years to write off.

BMBC started out with a loan portfolio of about CFA 100 billion, CFA 70 billion from BIAO and CFA 30 billion from Meridien, and has now grown to CFA 116 billion. Its new capital is CFA 6.35 billion, CFA 2 billion from the old Meridien Bank with CFA 4.35 billion in new money, making it one of the better capitalized banks in the country. Capital is 51% owned by Meridien International Bank Ltd (MIBL), incorporated in the Bahamas, 25% by the Government of Cameroon, and 24% by private Cameroonian businessmen.

## 2.2 FSSRP Operations

Although Meridien Bank had been active in handling FSSRP fertilizer imports in 1989, they handled just one small shipment in 1990 and none in 1991. Nevertheless, the personnel who handled the transactions (Ms. Moulong and Mr. Ngon) are still at BIAO Meridien and the bank still appears to be very interested in this business. Meridien effectively bowed out of the program in 1990 because of its problems with CAMATREX. According to Ms. Moulong, however, the CAMATREX issue is behind them (see below) and, in 1991, the problem has been lack of confidence in the Fiduciary Bank, BCCC. Although BMBC continues to discuss potential transactions with IBEX, it does not want to be involved with or take any risk on what is known to be a bankrupt bank. The difference between BMBC and BICIC, which also would not take any risk on BCCC, is that BICIC accepted from IBEX drafts drawn on the banana companies SPNP and SBM, which are also its clients. These companies are not clients of BMBC and it seems that their drafts were therefore not as desirable as security.

## 2.3 Comments on IBEX (and other potential importers)

BMBC commented on the weak financial standing of IBEX and other potential FSSRP importers and participants. BMBC had been approached by IBEX for its latest FSSRP fertilizer import but had turned it down. In addition to the question of BCCC's financial standing, Meridien's other problems with the transaction were:

a) **IBEX's financial standing:** IBEX has provided BMBC very little financial information about itself and its activities. It has little capital and almost no fixed investments. Its primary owner and deal-maker is not Cameroonian and spends much of his time outside of Cameroon. It exists on an admirable ability to put together financing for FSSRP imports using money from other sources and little or none of its own. Furthermore, despite their history of business transactions, the only bank account activity that IBEX has with Meridien has been strictly for FSSRP operations. The company does not keep any profits or operating funds with Meridien and has not made an attempt to develop a full banking relationship with them. As a result, IBEX has no independent credit standing; there are neither fixed assets nor a long relationship of trust and reliability to lend against. BMBC must assure itself that each transaction is fully secured, which they were not able to accomplish on IBEX's last proposal. On the other hand, BMBC did

comment that the reason that **IBEX** did so well on **FSSRP** transactions was that it was very well organized and was thoroughly familiar with the program. **BMBC** would receive calls from **IBEX** forewarning them of deadlines and documents which needed to be prepared or issued. No other importer has been nearly as well informed or organized.

b) Funds from fertilizer sales of this operation were to be used to repay fertilizer purchases under the previous operation at **BICIC**. This use of funds runs against classic bank lending guidelines; never extend credit to a borrower for the purpose of repaying another bank.

c) **IBEX** apparently requested financing which extended beyond 180 days, the standard financing period.

d) **IBEX** approached **BMBC** only four days before the transaction had to be concluded, which did not give them enough time to resolve the above problems.

#### 2.4 Other Potential Importers

**BMBC** commented that big Cameroonian commodity importers and distributors ought to be interested in the **FSSRP** fertilizer imports as well. They felt that such importers had not become involved because they lacked information on the program and that, after importing flour or rice for 20 years, fertilizer would be a new and more difficult commodity for them. **BMBC** was very interested in conducting a **FSSRP** marketing campaign among their large importer clients to inform them about the program and get them interested in fertilizer imports. They offered to set up appointments for **USAID/FSSRP** representatives to discuss the program with these potential importers and to invite them to the seminar in Limbe (none turned up).

#### 2.5 Technical Information

**BMBC** reiterated their request of last year for more technical information about fertilizer and its uses in Cameroon. For example, which types of fertilizers could be used on which crops and which areas. This would help them make decisions about the viability of the financing requests that they receive from fertilizer importers.

#### 2.6 CAMATREX

**BMBC** called in their internal legal counsel to explain the current status of the **CAMATREX** suit against them. **BMBC** has disposed of all the fertilizer it had seized from **CAMATREX** and no longer has any stocks. They understand that **CAMATREX** still has 600 tons of stock itself.

As reported in last year's evaluation report, **CAMATREX** had received a prepayment of CFA 376 million from **NWCA** for fertilizer that it never subsequently delivered. **CAMATREX** never denied this obligation but, apparently as a delaying tactic, has countersued **Meridien Bank**.

BMBC is certain that this suit has no legal validity and that it will be denied in court.

### 3. Credit Agricole

Interviewed: Hubert Rauch,  
Thomas Helfferich, Membre du Comite de Direction

Credit Agricole has been interested in the program since operational start-up last year, but only signed the Commercial Bank/Fiduciary Bank agreement with BCCC this year.

#### 3.1 Status of the Agricultural Sector in Cameroon

Rauch and Helfferich said that there is a strong shift away from planting and cultivating the traditional export commodity crops (coffee, cocoa, palm oil) toward growing fresh vegetables. With the economic downturn, payment problems in the agricultural sector, and high interest rates, farmers will no longer invest for the long term. Planting trees for these traditional crops requires work and investment for 5 to 6 years before the trees begin to bear fruit and generate income. In these tough times, no one has this money and time to invest. It is much easier and remunerative to plant fresh vegetables which can be harvested three times per year.

Current high interest rates reinforce this trend. Banks, including Credit Agricole, usually charge the maximum 18.25% rate on lending to the agricultural sector. With such high interest rates, plants with shorter growing cycles are favored because they require financing for shorter periods and are thus cheaper. This rate is below the usual 21.25%, because agricultural loans are tax exempt. The 18.25% rate comprises the BEAC base lending rate of 10.75%, a standard bank lending commission of .5%, and a maximum bank interest margin of 7%. As discussed in other reports, the high rates are a result of limited liquidity resources versus high credit demand. Also, loans to the agricultural sector are riskier because of the high production and price variability, which are subject to drought, disease, or over supply.

This shift away from export crops is particularly acute for robusta coffee, because of low international prices. Cameroonian cocoa is of high quality and commands a premium in international markets. Arabica coffee at the official sales price of CFA 275/kg is also attractive. However, a robusta price a CFA 150/kg does not even cover the costs of processing, transporting, and storing the coffee much less provide the farmer with any return. Credit Agricole has not yet received any requests this year to finance robusta exports, and would turn them down if they did.

#### 3.2 Devaluation

Rauch and Helfferich felt that devaluation was a necessary but not sufficient step to restore health to the agricultural sector. The overvalued CFA makes Cameroon's agricultural products uncompetitive in international markets. For example, with the new tomato paste plant in the Noun area and three tomato harvests per year, it is still cheaper to import tomato paste

from Italy to Cameroon.

### 3.3 FSSRP Importers

Credit Agricole has had some contact with potential FSSRP importers. They have talked to Groupe 1, who have not yet opened an account. IBEX already has an account with them. And, they have also been discussing imports with Africa International, a group which has been involved in legal imports of fertilizer from the Nigerian black market.

### 3.4 Financial Situation

Credit Agricole will complete its first full fiscal year in June 30. They have almost tripled in size since we saw them last year, to total assets of 16.3 billion. This has been accomplished by attracting CFA 9 billion in new deposits, mostly at the expense of other banks in the Cameroonian market. Credit Agricole has made almost CFA 6 billion in loans, mostly short-term and outside the agricultural sector according to other banks. Its substantial liquidity (about 37% of total assets are held in the form of deposits at other banks) is primarily placed with Credit Lyonnais.

## 4. Credit Lyonnais - SCB

Interviewed: Alain Raffiot  
Directeur de l'Agence de Yaounde

Raffiot is quite familiar with the program, having spent a lot of time on it last year in fruitless discussions with Groupe One/ADIR concerning possible fertilizer imports. Raffiot has not had any contact with the program since then; he has not been approached by other potential importers, he has not been contacted by the TSU or USAID, and he did not receive a copy of last year's evaluation report.

### 4.1 Groupe One/ADIR

Credit Lyonnais has unfortunately had additional contact with Groupe One/Adir in the past year. Through the intervention of a government minister, Credit Lyonnais accepted some checks or drafts from this company relating to delivery of sugar to CAMSUCO. Unfortunately, the delivery documents were falsified and Credit Lyonnais lost CFA 1 million on the transaction. They have not been able to get in touch with Groupe One/ADIR since then either to recover the funds or even take legal action against them.

### 4.2 Participation of Established Importers in FSSRP

Raffiot repeated his view of last year that the program suffers from the lack of participation by established Cameroonian importers, well-known Cameroonian businessmen as well as established French companies. He had not heard of IBEX but seemed interested in the

company as a potential customer because of its past success in importing fertilizer. Nevertheless, IBEX's lack of an established capital base and local investment would serve to restrict their potential activity. Raffiot suggested that the FSSRP contact his counterpart at Credit Lyonnais/Douala, Mr. Bories (Direct Line 42-39-64), to explain the program and discuss a joint marketing effort to interest their big corporate importers in the program. Raffiot also thought that established coffee and cocoa exporters that work with Credit Lyonnais ought to be interested in participating in the program since fertilizer import and distribution would be a natural extension of their current business. He cited the specific case of Ndongo Essomba, one of the country's top two cocoa exporters, who works with Credit Lyonnais/Yaounde. Copies of last year's evaluation and updated versions of the FSSRP information documentation were sent to Mr. Raffiot with the request that he follow up with Dan Moore to discuss a joint marketing effort in Yaounde.

#### 4.3 Restructuring of the Cameroonian Banking Sector

Raffiot did not feel that completion of the official restructuring of BICIC and SGBC would have much effect on the current tight liquidity and credit situation of the Cameroonian banking system. Whereas Credit Lyonnais was able to jettison CFA 120 billion in bad debt to the SRC, BICIC and SGBC together will spin off a total of only CFA 20 - 30 billion from their balance sheets. Additional reductions of bad debt by cancellation of government deposits will only partially solve the problem and, in Raffiot's opinion, both banks will still be left with substantial troubled debt after the restructuring is complete. Also, whereas SCB benefitted from a large influx of liquidity in its restructuring, including new money for its recapitalization, net new funds for SGBC and BICIC seems limited to the CCCE 30 billion loan. Most, if not all, of this new liquidity will be absorbed by the BEAC which is trying to control and reduce total credit to an economy stretched by government arrears. If this new money serves only to reduce SGBC and BICIC refinancing facilities at the central bank, little or none of it will be available to these banks and their individual liquidity situations will continue to be squeezed.

#### 4.4 Possible Devaluation and Future of the Economy

Despite the current economic problems in Cameroon, Raffiot thought that devaluation would be disastrous for the CFA zone. He considers that Cameroon's exports and imports are both price inelastic and that a devaluation would only increase the cost of imports with little gain in the value of exports. Although there is substantial reason to disagree with this view, he also correctly pointed out that there is no Cameroonian liquidity crisis, per se. Cameroonians have money but have chosen to keep their money in foreign bank accounts or investments rather than here in Cameroon. Raffiot remembered reading that estimated capital flight in 1987 alone was as large as 100 billion, more than 10% of total deposits currently with banks in Cameroon. As a result, the real issue is one of confidence. If the Cameroonian government were able to create a stable economic and political environment to attract these funds (much admittedly ill-gotten), Cameroon would have neither an external debt nor a local liquidity problem. However, rebuilding confidence will take at least several years, during which Raffiot anticipates that the current tight liquidity and credit conditions will prevail.

## 5. Caisse Commune d'Epargne et d'Investissement

Interviewed: Josue Nsong Sone, Directeur de Succarsale Douala

This bank was created in 1988 to provide personalized and speedier service to corporate customers. Capital has been increased rapidly from CFA 300 million to, recently, CFA 1 billion, all paid in. With the latest capital increase, DEG, the German private-sector assistance organization, and FMO, its Dutch counterpart, took a 16% share in CCEI between them. The balance is held primarily by Cameroonian businessmen, predominantly Bamileke, led by Paul Kammagne Fokam who also serves as Chairman of the Board and CEO. CCEI now has six branches, two each in Yaounde and Douala, and one each in Bafoussam and Bamenda. The Bamenda office was opened in April 1992 and a seventh branch is being considered in the north.

CCEI's rapid growth in capital and branches reflects the bank's unqualified success over the past four years. Although the overall level of deposits in the banking system fell during this period, CCEI's deposits grew from nothing to just over CFA 20 billion in March 1992. The bank certainly profited from the Bamileke connection but its success goes beyond this as a good portion of its deposits, business, and management (including Nsong) come from other ethnic groups. On the asset side, CCEI appears to have been relatively conservative in lending, with only CFA 7 billion in loans, primarily short-term. The bank is very liquid and has almost the same amount of funds invested in cash and deposits with other banks, primarily the BEAC.

Over the past five years, banks' declared capital and profitability in Cameroon have been highly misleading as banks did not provision adequately for bad debt and profitability was grossly overstated by accrued past-due interest. This being said, CCEI appears to be quite profitable, with net income of CFA 250 million in 1991 and (projected) CFA 500 million in 1992. This gives an annual return on average capital of over 30%, and returns on average assets of over 2% -- extremely high for a bank.

### 5.1 FSSRP Transactions

Nsong has gone over the FSSRP General Information Pamphlet and seems reasonably comfortable with the FSSRP operational procedures. However, CCEI representatives have not yet met with USAID of TSC/TSU and know next to nothing about the fertilizer sector in Cameroon. A copy of last year's assessment was sent to them to give them an idea about market size and structure.

Nsong also knows relatively little about Complexe JBN; this company opened an account with CCEI/Douala in November 1991 and have only been in contact concerning FSSRP transactions. As a result, CCEI is requiring security to cover the transaction so that they take no risk on Complexe JBN itself. They have agreed to a 50% cash deposit from JBN prior to opening a letter of credit (L/C). CCEI will also accept the BCCC subsidy amounts as a guarantee (about 30% of the amount of the L/C) but will retain title to and take direct payment for the fertilizer sales to cover the 20% unsecured balance. They intend to release the fertilizer

loan to JBN, using the fertilizer itself as security. They will retain control of fertilizer by releasing it directly to JBN's customers in exchange for direct cash payments to cover repayment of the fertilizer loan.

CCEI had no idea of the size of the proposed JBN transaction compared to the total FSSRP fertilizer market or past imports of the two proposed customers, COOPROVINOUN and COOPAMOR. CCEI does not have a banking relationship with either of these two cooperatives and was not clear on how reliable they were. Nsong understands clearly that CCEI should treat FSSRP transactions as normal commercial operations. He said that he would have CCEI/Bafoussam look into these two cooperatives to verify their fertilizer needs. They will not open the L/C until the JBN/cooperatives contracts have been verified and JBN has deposited the funds with them.

Nsong realizes that this transaction is a large one compared to CCEI's capital, but their risk is reduced by half with the cash deposit. The bank does have foreign correspondents (BFCE, Republic National Bank, Equator Bank) but Nsong acknowledged that their available lines of credit would not be adequate to handle a CFA 1.4 million L/C. However, because of CCEI's liquidity, the bank would be able to post a cash deposit as security with its foreign correspondent against confirmation of their L/C to the foreign fertilizer supplier.

In sum, CCEI seems to be a dynamic bank with the capital, liquidity, and willingness to try to develop new business, such as FSSRP transactions. However, they are not sophisticated in their approach to financing these transactions and need information and assistance concerning fertilizer and the program from FSSRP project sponsors.

**APPENDIX D  
ACTIVITIES OF IMPORTERS**

1. IBEX Cameroon SARL

Betru Gebregziabher, Director General  
Rose Mbonde, Administrator  
Douala, 27 March 1992

1.1 IBEX Importation and Stock Situation

IBEX imports under the 1991/1992 program as of August 1992 amounted to 25,800 tons. This compares to imports by IBEX of 22,003 tons under the 1990/1991 program. The record of shipments appears in Exhibit D-1. The average CIF price paid for NPK 20-10-10, FCFA 60,369/ton, was 7% lower than the average last year, while the average Urea price at FCFA 55,268 was 20 % higher. The average Urea price last year was unusually low due to a special deal IBEX was able to negotiate in Nigeria. Suppliers included Interore (Occidental Petroleum), as in previous years, and ERGIC, an Antwerp-based fertilizer trading company. IBEX has an exclusive arrangement with Interore for exports of Nigerian Urea to Cameroon. However, management states that the company must compete with large tonnages of Urea which enter Cameroon illegally from Nigeria.

The effect of imports and sales on IBEX stocks at the beginning and end of the year is shown below.

Exhibit D-2  
IBEX Stock Situation, 1991/92 Program  
(tons)

	<u>20-10-10</u>	<u>12-06-20</u>	<u>Urea</u>	<u>AmSulf</u>	<u>Total</u>
Begin. stocks, 3/91	5,953	762	2,849	288	9,852
Imports thru 8/92	16,050	4,200	4,250	1,300	25,800
Total available	22,003	4,962	7,099	1,588	35,652
Sales through 8/92	18,473	3,412	5,599	588	28,072
Stocks as of 8/92	3,530	1,550	1,500	1,000	7,580*

\* Includes 3,340 tons sold but not yet delivered

Exhibit D-1

Fertilizer Shipments, 1991/1992 Program

IBEX

Shipment No.	Type	Tons	Supplier	Cost per Ton (F FCFA)	CIF Value (F FCFA 000)	Arrival Date	Customs Clearance Date
1	NPK 12-06-20	1,100	Ergic	52,500	57,750	09-Nov-91	05-Dec-91
2	NPK 20-10-10	2,450	Ergic	58,750	143,938	30-Jan-92	02-Feb-92
	Urea	750	Ergic	55,850	41,888	30-Jan-92	02-Feb-92
	Amm. Sulf.	300	Ergic	37,155	11,147	30-Jan-92	02-Feb-92
3	Urea	2,000	Interore	56,000	112,000	ETA 10-Apr-92	Not yet
4	NPK 20-10-10	5,400	Interore	63,750	344,250	ETA 20-Apr-92	Not yet
5	NPK 20-10-10	2,600	Interore	54,050	140,530	ETA 25-Apr-92	Not yet
6	NPK 12-06-20	1,600	Ergic	56,000	89,600	20-July-92	29-July-92
7	NPK 20-10-10	5,600	Interore	60,750	340,200	2-June-92	29-June-92
8	NPK 12-06-20	1,500	Interore	60,750	91,125	28-July-92	Not yet
	Urea	1,500	Interore	54,000	81,000	28-July-92	Not yet
	Amm. Sulf.	1,000	Interore	35,000	35,000	28-July-92	Not yet
Total		25,800			1,488,428		

IBEX's stock situation is improved over the previous year. Stocks at the end of the campaign were 7,580 tons compared to 9,852 tons at the beginning, and almost half the ending stock is already sold.

## 1.2 IBEX 1991/92 Sales Record

IBEX sales of subsidized fertilizer by type of customer, as of the end of March 1992, are shown in Exhibit D-3.

About 37% of purchases were made by private large-scale banana and green bean growers. This represents a significant departure from earlier years when coffee cooperatives were virtually the only buyers. Another trend not evident from the figures is that increasing proportions of the fertilizer purchased by coffee cooperatives is being used on other crops, such as maize and vegetables. NPK 20-10-10 continues to be the fertilizer type most in demand, accounting for over 65% of sales. Utilization of Ammonium Sulfate continues to decline, likely due to the publicity concerning the disadvantages of using this type of fertilizer (high cost per unit of nutrient and soil acidification).

Exhibit D-3  
IBEX Sales Record, 1991/92 Program Year

<u>Customer</u>	<u>20-10-10</u>	<u>12-06-20</u>	<u>Urea</u>	<u>Ammon. Sulf</u>	<u>Total</u>
Coffee coops.	8,885	-	650	-	9,535
Vegetable coop.	25	-	-	-	25
Pvt banana cos.	4,394	2,239	3,358	294	10,285
Pvt. bean co.	898	231	27	14	1,170
Others	4,271	942	1,564	280	7,057
Totals	<u>18,473</u>	<u>3,412</u>	<u>5,599</u>	<u>588</u>	<u>28,072</u>

IBEX has also successfully bid on non-subsidized fertilizer for the PSIE program in the north. For the 1991/92 season, IBEX shipped 3,500 tons of Urea, 2,500 tons of 15-20-15-6-1, and 3,200 tons of 22-10-15-5-1. For the 1992/93 season IBEX successfully bid on 5,000 tons of Urea in July 1991.

IBEX sales efforts includes advertising on the television program "Fiches du Planteur". IBEX also attended the recent AFTMIN conference in Lome on fertilizer in Africa.

### 1.3 Plans for Bulk Blending Plant

At the time of our visit, an IBEX consultant was in the country to assist with planning for erection of a bulk blending plant in the port of Douala. Cost is estimated at \$300,000. It is hoped to get ExIm Bank financing in the form of loans and loan guarantees. To be economically feasible, the plant should handle at least 30,000 tons annually of NPK fertilizers. IBEX would like to be equipped to handle another 15,000 tons of Urea, which would require only bagging facilities at shipside since no mixing is involved. Based on a recent study done for UDEAC, IBEX estimates that the Chad market for fertilizer for cotton could add at least 15,000 tons to the potential market available to them if tariff barriers were removed. This is in addition to the North Cameroon market for about 15,000 tons on cotton.

## 2. CAMATREX

Henry J.B. Akale, CAMATREX Representative  
Yaounde, 6 April 1992 (by telephone)

### 2.1 Fertilizer Transactions

CAMATREX has not imported subsidized fertilizer since the 1989/90 program, but until recently still retained some stock from that time. That stock amounted to 6,584 tons of Ammonium Sulfate and 148 tons of Urea (6,732 tons total) at the beginning of the 1991/92 program year, but this has since been reduced to zero. The final 3,260 tons of Ammonium Sulfate was shipped to COOPROVINOUN in March 1992.

The balance of 3,472 tons from the 6,584 tons was sold earlier to coffee planters, wholesalers, and retailers in the Nkongsamba, Melong, Fouban and Foubot areas. One wholesaler mentioned as a customer was SOCOTRA in Nkongsamba. Prices ranged from FCFA 29,000 to FCFA 32,000 with most going for FCFA 30,000.

### 2.2 Future Plans

CAMATREX does not expect to import fertilizer into Cameroon pending resolution of several lawsuits in which it is engaged. For the present they hope to act as supplier of U.S. fertilizer acting through an associated American firm, Allied International Marketing Services Co. (AIM). The importer would be a Cameroon company, Africa Imports (see below). CAMATREX has also discussed acting as importer for Groupe One, possibly next year.

## 3. Pelenget SARL

Peter Njontor Ngufor, Director-Coordinator  
Yaounde, 23 March 1992  
Felix Chi Ngwatar, Marketing Manager, Bamenda

Pelenget has been importing ag chemicals and fertilizer since its founding in 1977. The company serves primarily customers in the anglophone areas. Between 1977 and 1983, Pelenget imported subsidized fertilizer under the FONADER program, and according to the Director was the largest importer in 1983. Last year, the company attempted to arrange an import for SOWEFCU in 1989/90 of 5000 tons. However, SOWEFCU was unable to arrange financing and the deal was never consummated.

Pelenget imported 3000 tons of NPK 20-10-10 during the 1991/92 FSSRP campaign. Supplier was Unifert Europe at a CIF price of FCFA 51,000.<sup>1</sup> Credit Agricole du Cameroun was the commercial bank handling the transaction, the first time this bank has participated in an import under the FSSRP. The company plans to market 2,700 to 2,800 tons to coffee cooperatives (NWCA and UCCAO) and the balance will be retailed.

Retail sales will be handled through a store recently opened in Bamenda, North West Province, called "The Farmers' House". Pelenget hopes to import 3000 to 4000 tons of fertilizer to provide the necessary stock. The plan is to have at least 2000 tons in stock at all times. If the Bamenda operation works well, Pelenget would open a second store in Kumba, South West Province.

Pelenget also bid (unsuccessfully) in 1992 on an order for 6,500 tons of 15-20-15 for the PSIE program in the north.

#### 4. ADER

Bernard LeBlanc, Director

ADER has imported non-subsidized fertilizer, along with other agricultural chemicals, for many years. In January 1992, the company imported 7,000 tons of non-subsidized NPK 15-20-15-6-1 for SODECOTON. ADER imported subsidized fertilizer under the FSSRP only in the first year of the program.

For the 1991/92 campaign, ADER imported 2,000 tons of NPK 20-10-10 from France at a CIF price of FCFA 63,750 per ton and 1,000 tons of Urea from the Netherlands at FCFA 61,000 per tons. The broker in both cases was SCPA.

ADER plans to market this fertilizer through its retail outlets in Douala, Yaounde, Nkongsambe and Bafoussam.

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<sup>1</sup> This price was subsequently adjusted downward to reflect the changing dollar - French Franc exchange rate.

## 5. Prospective Importers

### 5.1 Africa Imports

Maurice Kamgaing

Africa Imports, a firm which had not previously participated in the FSSRP, applied in April 1992 through Credit Agricole for earmarking for 13,500 tons of fertilizer to be sold to UCCAO. (A number of importers tendered for this same order.) This tonnage was subsequently scaled back to 8000 tons and an earmarking granted. However, an L/C was not arranged within the 45 day time limit and the earmarking expired. Later, the company was granted an earmark for 4,400 tons (2,475 tons of 20-10-10, 1,100 tons of 12-06-20, and 825 tons of Urea) based on the remaining subsidy funds available. Africa Imports now has until September 22 to arrange for shipment before the current earmarking expires. The broker is Allied International Marketing, a U.S. firm associated with CAMATREX.

### 5.2 Complexe JBN

Jean Baptiste Ndzie, Director  
(Mme) Wenefrede, Administrator  
Douala, 8 April 1992

In March 1992, JBN applied for earmarking of 24,500 tons at CCEI. Prospective sales (referred to as "initial contracts") are the following:

COOPROVINOUN:	Urea -	4,000 tons
	20-10-10 -	3,000
	12-06-20 -	1,500
	AmmonSulf-	<u>2,000</u>
		10,500 tons

COOPAMOR (Dschang):	Urea -	2,000 tons
	20-10-10 -	5,000
	12-06-20 -	<u>7,000</u>
		14,000

Prices quoted were CFA 50,000/ton for the NPK fertilizers, 48,000 for Urea, and 38,000 for Ammonium Sulfate. Complexe JBN has made similar quotes to a number of cooperatives, as was noted during the field trip this year.

JBN states that the probable supplier of these fertilizers would be Melchimie (Netherlands) and that the imports would be financed by Paz International (USA). Prices offered to JBN were \$205/ton for 20-10-10, \$202/ton for 12-06-20 and \$196/ton for Urea, the points of origin being Russia and Turkey. (JBN also had a quote from Evergreen of McMinnville,

Oregon for Urea at \$190/ton.) Paz's payment terms would be 180 days from date of delivery. Since the supplier's terms are 60 days from delivery, JBN would be paying financing costs for the 120 days difference. JBN has offered quite favorable payment terms to its customers -- 55% payment within 90 days, and 45% within 180 days. JBN states that although this would not be a very profitable deal for the company, it would make them one of the players in fertilizer importing in Cameroon and eligible to participate in the FSSRP.

On being informed by JBN's bank, CCEI, that there were insufficient subsidy funds for an import of this size, JBN reduced its earmarking request in late March 1992 to 16,900 tons (5500 Urea, 5600 20-10-10, 5800 12-06-20) which would qualify for a subsidy of CFA 296 million, according to JBN. Ultimately, however, JBN's commercial bank lost confidence in the proposed transaction and withdrew the earmark request.

### 3.3 Groupe One

M. Okomono Ndongo Emmanuel  
Yaounde, 25 March 1992

Groupe One participated in the 1989/90 program as a distributor (of 1351 tons imported by IBEX), and applied unsuccessfully for earmarking as an importer in the 1990/91 program.

M. Okomono claimed to have contracts for delivery of 29,000 tons to distributors in the East, West, South West and Littoral Provinces. He hoped to arrange for import of at least 15,000 tons, broken down as follows:

20-10-10	5000 tons
12-06-20	2000
Urea	4000
AmSulf	4000

According to Groupe One's marketing plan, the company had an order for 2000 tons of Urea from CAPLAME and the rest was to partially fill other existing sales contracts, particularly in the East Province.

In May 1992, Credit Agricole requested earmarking for 8000 tons of Urea on behalf of Groupe One. However, it proved impossible to arrange a Letter of Credit during the required 45 day period and so the earmarking was cancelled.

### 3.4 Ferida S.A.

Bonaventure Mbida Essama, DG  
Douala, 26 March 1992

Ferida imported non-subsidized fertilizer in 1990 (5000 tons for oil palm and banana plantations) and 1991 (2000 tons for oil palm plantations and green bean growers). Types imported for green beans were 6-15-30 and 10-10-20. The firm has never imported fertilizer under the FSSRP. It was reported in last years' annual assessment that Ferida was trying to arrange financing to erect a bulk blending plant at the port of Douala and had already leased a building in Bonaberi. As of March 1992, Ferida was still attempting to arrange financing, but had encountered the well-known problem of the lack of medium and long term credits in Cameroon. Mr. Mbida states that Cameroon banks are unwilling to undertake the necessary project analysis to support such loans, but at the same time recognizes that weaknesses in the legal system make it almost impossible for banks to foreclose on property offered as collateral against such loans.

A representative of the African Development Bank was in Douala at the time of our visit to investigate the possibility of an ADB loan, which together with an IFC loan and local capital could finance the project. Total project costs are estimated at \$2.2 million.

### 3.6 Planete Assistance

Amadou Djime, Director  
Limbe, 10 April  
(BP 7526, Yaounde)

The owner of this small trading company attended the seminar in Limbe, where we spoke briefly to him. He has approached USAID for information on the FSSRP and hopes to import subsidized fertilizer in the future. His trading experience has been in the export of tropical plant substances for use in pharmaceuticals. As to fertilizers, he states that he imported 1000 tons of fertilizer last year "unofficially" from Nigeria, including 20-10-10, 15-15-0, DAP, and Urea, and sold it to MAISCAM and SEMRY at CFA 3000/sack. He would like to import officially under the FSSRP and states that he has a dossier at Credit Agricole. He has contracts for 14,000 tons with cooperatives and distributors in the East, West, and Littoral, though like most such contracts they tend to be speculative rather than firm. Mr. Amadou says that he plans to visit Nigeria soon to arrange for formal export of Nigerian Urea.

### 3.7 Agrichim S.A.

Ronald Senfftleben  
Douala, 26 March 1992

Under the name of COFAGRI, Mr. Senfftleben formerly imported fertilizer. He mentioned 30,000 tons of ammonium sulfate imported in 1983. Operations of this firm have been effectively shut down, pending settlement of a lawsuit with BIAO. Senfftleben also has investments in a banana plantation and a fruit juice plant.

As Agrichim, Senffleben plans to erect a fertilizer bulk blending plant in Douala. The plant would have a minimum economic capacity of about 30,000 tons per year, but could blend and bag up to 1000 ton/day. He states that he has applied for a loan to the Islamic Development Bank. In support of this application, he prepared a feasibility study based on the 1985 IFDC fertilizer study. He needs commercial bank guarantees to get the loan and is trying to arrange this through SBS (Switzerland). Senffleben would be 49% owner of the company and a Cameroonian (a former executive of FONADER) would hold 51%. Total fixed cost would be FCFA 1.6 billion, of which FCFA 760 million would be a loan to cover equipment costs, 630 million would be invested in land and buildings, and 300 million would represent the assets of COFAGRI (unspecified) brought to the new firm.

**APPENDIX E  
ACTIVITIES OF DISTRIBUTORS**

1. South West Cooperative Association (SOWEFCU)

Egbe Anthony Mbu, Acting General Manager  
Ebako David, Finance  
(Musima James Lobe, President)  
Kumba, 30 March 1992

1.1 Fertilizer Transactions

SOWEFCU purchased 4,753 tons from IBEX in September 1990. The breakdown by type and cost is as follows:

Exhibit E-1  
SOWEFCU Fertilizer Purchases, 1990

<u>Type</u>	<u>Tons</u>	<u>Cost, CIF Douala</u>		<u>Delivered Cost</u>	
		<u>FCFA/ton</u>	<u>FCFA 000</u>	<u>FCFA/ton</u>	<u>FCFA 000</u>
20-10-10	1,748.5	51,860	90,677	56,980	99,631
Urea	997	50,950	50,797	56,526	56,356
Amm Sulf	<u>2,007.5</u>	<u>45,150</u>	<u>90,639</u>	50,642	<u>101,664</u>
Total	4,753	48,835	232,113 (ave)	54,209	257,654 (ave)

Delivered cost includes transport and handling, which represented 15% of the actual value of fertilizer, delivered to Kumba, South West Province.

As of 29 April 1992, SOWEFCU had managed to dispose of 2948.5 tons. Details are shown in Exhibit C-2. Most of the 20-10-10 was sold at FCFA 35,000 per ton, representing a loss of over FCFA 20,000 per ton. Ammonium Sulfate sales at FCFA 14,000 to FCFA 27,000/ton resulted in losses of FCFA 23,000 to FCFA 36,000/ton. Most sales were to non-member cooperatives since demand was very low within SOWEFCU. Much of the remaining stock is Ammonium Sulfate, for which there is little demand.

To summarize, due to SOWEFCU's purchase of fertilizer in 1990 well in excess of actual demand from its members, the cooperative was forced to act as a fertilizer distributor to buyers

in the South West, West, Littoral and North West Provinces, and these buyers have benefited from very favorable prices compared to actual import costs. SOWEFCU, forced to sell to meet its immediate liquidity needs, has suffered considerable financial losses from these transactions. Remaining stocks of Ammonium Sulfate will have to be sold at greatly reduced prices.

**Exhibit E-2**  
**SOWEFCU Fertilizer Sales, March 1991 to March 1992**

<u>Buyer</u>	<u>Tons</u>	<u>Price Range, FCFA/ton</u>
<b>Credit Sales:</b>		
Member Coops	41	35,000 (20-10-10)
SOCOTRA	135	14,000 (AmmonSulf)
<b>Cash Sales:</b>		
Member Coops	66.5	50,000 - 58,000
<b>Other Coops:</b>		
NWCA	459.5	35,000 - 50,000
UCAC	97	35,000 - 40,000
<b>Other Distributors:</b>		
SOCOTRA	702	35,000
Cam Mktng	40	35,000
ACIC	40	35,000
Comp. JNB	50	35,000
Small traders, planters (West)	1,054	27,500 - 40,000
Del Monte	250	
Others	13.5	42,000 - 48,000
<b>Totals</b>	<u>2948.5</u>	

### **1.2 SOWEFCU's Current Situation**

SOWEFCU's position is precarious at the present time. As of 5 March 1992, the cooperative reports that arrears owed by the National Produce Marketing Board for past coffee purchases amount to FCFA 2.59 billion. This represents 60% of the total accumulated arrears since 1987 -- only about 40% has been paid. According to SOWEFCU, these payments were made directly to farmers, leaving the cooperative with no income to cover operating costs. Management reports that cost-cutting measures have been made, including reduction of staff.

Many cooperative members now sell their coffee to other buyers, of which some 60 are operating in the province. Coffee purchases by the cooperative have declined from 6,500 tons in 1988/89 to less than 1000 tons in 1991/92. Management states that there are only three

officially recognized buyers in the province, including SOWEFCU, and that most of the others operate in an uncontrolled manner and are purchasing robusta coffee for cash at below the official producer price of 155 francs per kilo. However, planters prefer to receive cash, even if prices are lower, than to wait for uncertain and delayed payment if they sell to SOWEFCU.

Fertilizer demand is down sharply, since at the current low prices for coffee, planters do not see any advantage to applying it to coffee trees. In fact, it is reported that many stands of robusta coffee trees have been abandoned by planters, and that more attention is being given to food crops such as cocoyams and plantains. It is likely that such fertilizer as is being consumed is being applied to these crops rather than to coffee.

SOWEFCU has formerly requested the Minister of Commercial and Industrial Development to help in settling the coffee arrears. They have also requested permission to take over trucks, hulling machinery and other equipment belonging to the NPMB and no longer in use, but have been told that this is not possible at the present time. The cooperative also pleads for government control over unauthorized coffee buyers operating in the province. Cocoa is also grown by SOWEFCU members, but like coffee much of the production is being purchased by others. The General Manager reports that cocoa in the South West is heavily infested by disease, but the cooperative has not had the funds to purchase agricultural chemicals for its members. Management hopes to convince suppliers to place chemicals on consignment with the cooperative.

## 2. Union des Cooperatives Agricole du Littoral (UCAL)

Lazare Sema Djoumbi, Director General  
Nkongsamba, 31 March 1992

### 2.1 Fertilizer Transactions

UCAL purchased 10,000 tons of fertilizer in 1989. UCAL retains a stock of 133 tons, and the rest has been distributed to member cooperatives. Due to lack of financial resources, UCAL has been taking delivery from the importer of the original order in small increments over the past three years as cash became available. The figures in Exhibit E-3 showing distribution to cooperatives for the 1989/90 and 1990/91 crop years indicate a sharp decline in the second year, reflecting the declining purchasing power of farmers when official coffee prices were reduced.

**Exhibit E-3**  
**Distribution of Fertilizer by UCAL, 1989/90 and 1990/91**  
**(tons)**

	<u>1989/1990</u>	<u>1990/1991</u>	<u>Total</u>
COOPLAM	2,771	501	3,272
COOPLACARM	2,243	280	2,523
CCOPLAMEL	1,843	20	1,863
COOPACROM	1,046	90	1,136
CCOPRODICAM	234	10	244
SOCOOPPLACACAM	150	10	160
COOPROCAM	95	-	95
COOPAGRIL	170	50	220
COOVENPROVEX	40	-	40
SOCOOPED	80	-	80
Individual planters	<u>139</u>	<u>195.5</u>	<u>334.5</u>
Totals	8,811	1,156.5	9,967.5

UCAL management is currently attempting to determine the fertilizer needs of member cooperatives for the current year to permit placement of orders with importers. However, cooperatives are reluctant to make firm commitments for future purchases given the uncertainty in demand. Coffee planters have greatly reduced their purchases over the past three years. Cooperatives apparently prefer to make spot purchases of small amounts during the year in response to requests from planters -- and take their chances on price and availability. This tendency is diminishing the role of the cooperative union in fertilizer procurement.

## 2.2 Current Situation of UCAL

The UCAL director reviewed the situation of the robusta coffee planter in the Littoral Province. His figures show that fertilizer use is no longer an economic proposition for the planter. If fertilizer is not applied, both yields and quality decline. However, most planters are now content to gain whatever cash they can from their trees and give them minimum attention.

The Mounjo Department of the Littoral Province was once the largest producer of robusta coffee in Cameroon. However, production has declined in recent years from 9,300 tons in 1988/89 to 3,880 tons in 1990/91. Production will be even lower in the 1991/92 crop year, according to Mr. Sema.

### 3. Union Centrale des Cooperatives Agricoles de l'Ouest (UCCAO)

Philip Moumie, Deputy General Manager  
Gilbert Soffo, Ag Engineer  
Kuitchoue Roger, Ag Engineer  
Bafoussam, 2 April 1992

#### 3.1 Fertilizer Transactions and Consumption

UCCAO purchased no fertilizer during the 1990/91 program, and as of the date of the interview had not imported any during 1991/92. The cooperative union issued a call for tenders due 13 April 1992 for 13,500 tons, subsequently changed to 8,000 tons. The tender was won by Africa Import. If Africa Import is successful in arranging its letter of credit, the maximum it can bring in is 4,400 tons, corresponding to the amount of subsidies remaining for the 1991/92 campaign.

Total consumption by UCCAO cooperatives during the last two years appears below in Exhibit E-4. The data is on a September-to-September basis, since that is the way UCCAO compiles its data, but it does give an idea of consumption trends. UCCAO once considered its "normal" fertilizer consumption as 30,000 tons annually, and in fact purchased that amount during the 1988/89 program. As the data shows, consumption was less than half that amount in 1990/91, although there was a small increase over the previous year.

Exhibit E-4  
UCCAO Total Fertilizer Consumption, 1989/90 vs. 1990/91  
(tons)

<u>Fertilizer Type</u>	<u>1989/90</u>	<u>1990/91</u>
20-10-10	5,266 (45%)	3,732 (28%)
12-06-20	1,798 (15%)	4,252 (32%)
Urea	4,689 (40%)	5,475 (40%)
Totals	<u>11,753 (100%)</u>	<u>13,459 (100%)</u>

Prices paid per ton for the 1988/89 imports delivered at Douala and the prices charged to member cooperatives for fertilizer delivered to their warehouses, which include a charge for shipping, handling and financing costs, are shown below.

	<u>Cost at Douala</u>	<u>Price to Coops</u>	<u>Shipping/Handling</u>
20-10-10	36,999	49,614	12,615
12-06-20	N.A.	46,423	N.A.
Urea	28,879	41,494	12,615

UCCAO cooperatives are required to sell fertilizer to members at a uniform price of FCFA 2500 per sack (FCFA 50,000 per ton). This indicates that the cooperatives make virtually nothing on 20-10-10, but about FCFA 8,500 per ton on Urea.

### 3.2 Consumption by Member Cooperatives

Consumption in 1990/91 for the six member cooperatives of UCCAO are shown in Exhibit E-5. The assessment team visited the first five of them and reports on each are in succeeding sections of this appendix.

Exhibit E-5  
UCCAO Fertilizer Consumption by Member Cooperative, 1990/91  
(tons)

<u>Member Cooperative</u>	<u>20-10-10</u>	<u>12-06-20</u>	<u>Urea</u>	<u>Total</u>
CAPLAME	863	427	1,367	2,657
CAPLABAM	508	1,370	672	2,550
CAPLANOUN	597	1,038	1,272	2,907
CAPLAMI	776	167	436	1,379
CAPLAHN	241	116	251	608
CAPLANDE	147	27	145	319
Fr.UCCAO Stock	599	1,106	1,331	3,036
Totals	<u>3,731</u>	<u>4,251</u>	<u>5,474</u>	<u>13,456</u>

Since UCCAO and its member cooperatives held stocks totaling 13,693 tons as of September 1990, stocks should have been completely exhausted as of September 1991. However, due to apparent inconsistencies in the data, UCCAO reported that it still held stocks of 1,975 tons as of September 1991. Between September 1991 and March 1992, UCCAO states that these stocks were reduced to zero.

UCCAO's lack of stock, and apparent difficulties in financing purchases, are leading the more prosperous of the UCCAO cooperatives to place orders directly with importers. So far, this applies only to CAPLAME and CAPLAMI, but possibly to others as well in the future. The estimated demand reported by individual cooperatives and discussed in the following

sections, may therefore not be expressed through UCCAO. We estimate this demand at roughly 18,000 tons (10,000 tons of 20-10-10, 3000 tons of 12-06-20 and 5000 tons of Urea). UCCAO's tender request for only 13,000 tons could be seen as reflecting its reduced purchasing power, and the expectation that some cooperatives will take care of their own supply.

#### 4. CAPLAHN

Yonga Djeuthieu Jean, Director  
Bafang, 31 March 1992

##### 4.1 Fertilizer Transactions

This cooperative, with 4,500 members, belongs to the UCCAO Union. It markets robusta coffee grown by members in the Haut Nkam Department and operates a processing (conditioning) plant where coffee is cleaned, decorticated, and size graded. UCCAO does the final processing and export marketing. Unlike some of the larger cooperatives which make up UCCAO and which are operating more and more independently of the union, CAPLAHN continues to buy its fertilizer through UCCAO. The cooperative also handles small amounts of arabica coffee and cocoa.

The Departmental Agriculture Delegate, Mr. Victor Tenkeu, regularly collects information on fertilizer sales by coffee processors. He estimated total consumption of fertilizer (supplied by both CAPLAHN and processors) for the last four years as follows:

1987/88	2,029 tons
1988/89	3,224
1989/90	655
1990/91	1,373

"Normal" annual consumption of all types of fertilizer for the Haut Nkam Department is considered to be about 3000 tons, though demand is clearly decreasing.

During the past year, CAPLAHN was unable to obtain the amount of 20-10-10 it needed from UCCAO, which was a contributing factor in its members going to other suppliers. CAPLAHN estimates its needs for the coming season at 400 tons of 20-10-10, 300 tons of 12-06-20, and 500 tons of Urea, for a total of 1,200 tons. However, management states that due to lack of funds it may not be able to purchase the needed amounts.

CAPLAHN quoted UCCAO's current prices for fertilizer at 2,074 francs per sack for Urea and 2216 francs per sack for 20-10-10. The difference between this price and the published price of 2500 francs/sack to be paid by planters is an allowance for transport incurred by the cooperative. Management claims the allowance is insufficient to cover their real costs. Local coffee processors are reported to be selling fertilizer at 2,700 to 3,000 francs per sack.

## 4.2 Situation of CAPLAHN

As in other robusta growing areas, production in the Haut Nkam has declined from 25,000 tons (in a good year) to 14,000 tons in the 1990/91 crop year. CAPLAHN's share has declined substantially; only 1,800 tons were marketed in 1991/92, or about 13% of the total. CAPLAHN must compete for coffee with some 25 coffee processors ("usiniers") in the Haut Nkam Department. Increasingly, coop members sell their coffee to these processors, which are better financed and generally able to maintain a stock of fertilizers. CAPLAHN's major disadvantage vis-a-vis the "usiniers" is that the latter are paying cash for coffee and the cooperative is unable to do so.

## 5. CAPLANOUN

Nkouandou Ousmanou, Interim Chief, Administration and Finance  
Foumban, 1 April 1992

### 5.1 Fertilizer Transactions

CAPLANOUN is an old established cooperative dating back to the 1930s, predating the founding of UCCAO, of which it is now a member. The cooperative markets arabica coffee (2500 tons/yr), robusta coffee (4000 tons/yr) and smaller amounts of cocoa. Fertilizer received from UCCAO during the 1991/92 season are shown below.

Exhibit E-6  
Fertilizer Receipts and Sales, 1991/92  
CAPLANOUN (tons)

<u>Type</u>	<u>Received</u>	<u>Sold</u>	<u>Stock</u>
12-06-20	328.6	321.9	6.8
20-10-10	2.2	2.2	0
Urea	<u>340.3</u>	<u>340.3</u>	<u>0</u>
Totals	671.1	664.4	6.8

The figures are not, however, representative of annual demand from members. Cooperative management reports that they could not meet the needs for 20-10-10 because it was not available at UCCAO. The above amounts were obtained for the fall application; none has been procured as yet for the normal March/April application. Management states that UCCAO's prices are too high. Recently a representative of Complexe JBN visited the cooperative and quoted informally the following prices:

Urea	50,000 CFA/ton
20-10-10	50,000
12-06-20	52,000
Ammon Sulfate	40,000

It was not clear what the cooperative's purchase plans are at this time.

CAPLANOUN sells all types of fertilizer at FCFA 2500/sack. UCCAO charges them 2480 francs per sack for 20-10-10 and 2200 francs/sack for other types. The difference between these charges and the 2500 francs/sack price to farmers established by UCCAO for all its member cooperatives is supposed to be enough to cover transport costs from Bafoussam to Fouban. Management states that they are actually losing money on every sack sold.

Crop diversification away from coffee and toward food crops is occurring in Noun Department, as it is elsewhere. Management estimates that about 1/3 of the fertilizer purchased is used on tomatoes and maize. Maize prices are reported to vary widely during the year. The new MAISCAM processing plant near Foubot may help by putting a floor under prices once it begins operations.

## 6. CAPLAME

Joseph Wamba, Assistant Director  
 Zambou Samuel, Accounting Manager  
 Dschang, 2 April 1992

### 6.1 Fertilizer Transactions

CAPLAME is one of two UCCAO cooperatives (CAPLAMI is the other) which is in relatively good financial condition. It is based in Dschang in the Menoua Department of the West Province. With 30,000 members it is one of the largest coffee cooperatives in Cameroon.

Fertilizer purchases, stocks and consumption over the past two seasons is shown below.

**Exhibit E-7**  
**Fertilizer Consumption, CAPLAME, 1990-1992**  
**(tons)**

	<u>20-10-10</u>	<u>12-06-20</u>	<u>Urea</u>	<u>AmSulf</u>	<u>Total</u>
Stocks as of 30 Sep 90.....	374	253	1,111	5	1,743
Purchases, 9/90-9/91.....	390	-	-	20	410
Consumption, 9/90-9/91.....	519	249	1,038	11	1,817
Stocks as of 30 Sep 91.....	245	4	73	14	336
Purchases, 9/91-3/92.....	532	54	-	-	586
Consumption, 9/91-3/92.....	696	9	55	13	773
Stocks as of 31 March 92.....	81	49	18	1	149
Addit'l purchases 4/92-8/92.....	3368	-	-	250	-

Like most coffee cooperatives, CAPLAME compiles data on a September to September basis, while the FSSRP uses a March to March program year. The above data indicates annual consumption of about 1,800 tons in 1991/92, which represents a sharp decline compared to previous years, as CAPLAME reports consumption of over 5000 tons in 1988/89 and approximately 3,000 tons in 1989/90. The breakdown by type of fertilizer is not representative in that 20-10-10 constituted almost 50% of purchases in the preceding two years. The cooperative was unable to obtain all the 20-10-10 it needed during the past year. According to information received from SOWEFCU, approximately 1000 tons of excess 20-10-10 from their stock was sold to small traders in the Menoua Department (CAPLAME's area), so apparently these traders made up the shortfall which CAPLAME couldn't supply.

Purchases of 20-10-10 in 1990/91 came from IBEX (246 tons) and UCCAO (144 tons). IBEX delivered another 532 tons of 20-10-10 between September 1991 and March 1992. Both are part of a 1000 ton order placed with IBEX at 45,000 francs/ton. The balance of 222 tons is expected during April. Information received from IBEX indicates a total delivery of 3900 tons of 20-10-10 and 250 tons of Ammonium Sulfate during the 1991/92 campaign. These amounts are shown as "additional purchases" in Exhibit C-7.

Adding transport costs from Douala of 8500 F/ton for the above order gives a delivered cost of 53,500 F/ton (2675 F/sack). The cooperative currently sells all fertilizers at 2150 F/sack (cash only) and so is actually taking a loss of 525 F on each bag sold. Management states that

the cooperative subsidizes a part of the cost as a service to members. (However, this cost would have to be made up from coffee sales proceeds). Members are allowed to purchase fertilizer in proportion to the amount of coffee delivered. Sales are also made to non-members at the same prices, but smaller amounts are allowed.

CAPLAME has practically ceased to purchase fertilizer from UCCAO. Stocks are very limited at UCCAO and much of it is regarded as in very poor condition. CAPLAME plans to make all future purchases directly from importers.

In addition to the 1000 ton order now being received, CAPLAME has another order outstanding with IBEX for 3000 tons of 20-10-10 purchased at 53,000 F/ton CAF Douala. An order has also been placed with Groupe One for 2000 tons of Urea at 50,000 F/ton. The team informed CAPLAME management that Groupe One had not yet received earmarking for any shipments and that they should confirm that Groupe One is going to be able to deliver. If all this fertilizer is actually delivered, CAPLAME will have purchased 6,000 tons of fertilizer for the current year.

The cooperative estimates that 30 to 40% of the fertilizer purchased by farmers is used on vegetable crops in the Menoua Division, particularly in the Bafou area. This Department is probably the biggest consumer of fertilizer in Cameroon.

## 6.2 Coffee Marketing by CAPLAME

Coffee marketed by CAPLAME has declined in recent years, but less so than is the case with many other cooperatives. CAPLAME has a monopoly on the marketing of arabica coffee in Menoua, but competes with other local buyers of robusta. The figures for the last three years are as follows:

1988/89: 4,395 tons of arabica, 4,565 tons of robusta

1989/90: 2,377 tons of arabica, 2,075 tons of robusta

1990/91: 2,553 tons of arabica, 2,519 tons of robusta

Marketed amounts in the 1990/91 crop year actually increased slightly over the preceding year. CAPLAME expects to market about 3000 tons of arabica in the 1991/92 season. This would indicate that coffee planters in the Menoua department are looking after their coffee trees and maintaining production. It is even reported that new plantings of robusta are taking place.

## 7. CAPLABAM

Fofoug Faupethio Claude, Director  
Mbouda, 3 April 1992

### 7.1 Fertilizer Transactions

CAPLABAM is another UCCAO cooperative which consumes substantial quantities of fertilizer.

**Exhibit E-8**  
**Fertilizer Consumption, CAPLABAM, 1990/91**  
**(tons)**

	<u>20-10-10</u>	<u>12-06-20</u>	<u>Urea</u>	<u>Total</u>
Stocks, 9/90	189	1,286	628	2,103
Purchases, 9/90-9/91	589	-	66	655
Stocks, 9/91		----- negligible ----		
Consumed, 9/90-9/91	778	1,286	694	2,758

IBEX supplied all the 20-10-10; Urea was purchased from UCCAO. Sales are made to members at FCFA 2,500/sack for all types. The price to non-members is FCFA 3,150 per sack.

CAPLABAM management estimates its needs for 1991/92 as follows:

20-10-10:	1,500 tons
12-06-20:	1,000 tons
Amm Sulf:	500 tons
Total:	3,000 tons

A quote was received from Complexe JBN for the above amounts at FCFA 50,000 per ton for the NPK fertilizers and FCFA 40,000 for Ammonium sulfate. This firm quotes 6 weeks delivery, payment to be by a guaranteed bill of exchange payable 120 days from date of order. Subsequently, CAPLABAM purchased 1500 tons of 20-10-10 From IBEX.

Like most coffee cooperatives, CAPLABAM is short of working capital to make coffee purchases, the proceeds from which could be used to finance fertilizer purchases. Management estimates its needs for working capital at FCFA 700 million.

Whereas CAPLABAM marketed about 3,500 tons of arabica coffee in the past, it marketed only 2,070 tons in 1990/91 and 2,170 tons so far in 1992. In an effort to increase the amount of coffee offered by planters, the cooperative offers a 10 franc/kg. premium over the official minimum price of 250 francs/kg. This premium can only be used as a credit toward the purchase of fertilizer.

#### 8. CAPLAMI

Mbou Samuel  
Bafoussam, 2 April 1992

CAPLAMI is one of the most prosperous of the UCCAO cooperatives. It occupies modern quarters in Bafoussam.

Fertilizer receipts in the 1991/92 program year to date and planned purchases are as follows:

	<u>To Date</u>	<u>Planned</u>	<u>Total</u>
20-10-10:	2,025 tons	1,500	3,525
12-06-20:	300 tons	1,000	1,300
Urea:	400 tons	1,000	1,400
Total:	2,725 tons	3,500	6,225

CAPLAMI purchased 3,400 tons of 20-10-10 and 350 tons of Ammonium Sulfate from IBEX during the May/June period. The intention was to have fertilizer available in time for the September application on coffee. The Director General states that normal consumption for the cooperative is about 7000 tons annually.

CAPLAMI is currently selling all types of fertilizer at CFCA 2000 per sack to members and non-members, making it the cheapest fertilizer available anywhere in Cameroon. The purpose is to dispose of old stocks; new stocks will be sold at higher prices.

#### 9. Complexe JBN

Jean Baptiste Ndzie, Director  
(Mme) Wenefrede, Administrator  
Douala, 8 April 1992

This company was established in 1987 by Mr. Ndzie, a young Cameroonian who studied business in Italy. He states that he is engaged in international trade in fertilizer, apparently as a broker. The firms with which he deals include Star Export of Narberth PA, and Clauss-Deckendorf and Associates, Dallas TX. Sale of Russian fertilizer to China was mentioned as an example of his trading experience.

In order to qualify for the FSSRP, he engaged in fertilizer distribution last year, buying 500 tons of subsidized fertilizer from IBEX and from other distributors. (Also, non-subsidized KCl and Kieserite was purchased from ADER and resold to an oil palm plantation.) JBN's sales record is shown in Exhibit E-9 on the following page.

It appears that JBN was very active in the fertilizer market, buying from some cooperatives with excess stocks, such as UCAL and SOWEFCU, some directly from an importer (IBEX), and a small amount from another distributor (SOCOTRA). The company managed to dispose of this fertilizer to eight different clients. Thus, it could be said that JBN filled a niche in the market by buying and selling small amounts for cash, and in the process helping several cooperatives with excess stocks dispose of their fertilizer. This opportunistic behaviour on the part of a new entrant in the market is a positive sign for the FSSRP, and it is to be hoped that JBN will have the financial resources to realize its objective of acting as importer in the near future.

#### 10. North West Cooperative Association

Ghogomu Tapisi, General Manager  
John Ndi Akwar, Chief, Farm Support Service  
Bamenda, 3 April 1992

##### 10.1 Fertilizer Purchases and Stocks

Revised figures for fertilizer consumption received from NWCA for the 1989 and 1990 seasons (calendar years), together with figures just received for 1991 are shown below. NWCA indicated some uncertainty about the 1991 figures due to inconsistencies in data reported by several cooperatives.

The 1,180 tons procured by NWCA during 1991 came from several sources. During April to July 1991, NWCA received 363 tons of 20-10-10 from SOWEFCU, for which it paid FCFA 50,000 per ton.

If the figures for 1991 are correct, then consumption in that year was only 34% of 1990 levels.

NWCA now sells fertilizer to its member cooperatives only on a cash basis, whereas last year it was placed on consignment in cooperative warehouses and was paid only as the fertilizer was sold to farmers. Retail prices charged by cooperatives are approximately the same as in 1989/90. They range from FCFA 3300 to 3600 per sack for 20-10-10 and Urea, depending on location, and a uniform 3200 per sack for Ammonium Sulfate.

Exhibit E-9

Complexe JBN Fertilizer Sales, 1991/92  
(tons)

Fournisseurs	Clients	Quantités / Type de produits			
		NPK 20-10-10	NPK 12-06-20	Urea	S.A.
	Jardins de Foubot		45	24	
IBEX	-----	-----	-----	-----	-----
	Sté Caplain	2			
UCAL	Jardins de Foubot	50		25	
	Sté Tiako et Cie	20		20	10
	Ets Panta Luc et Fils			50	
	Sté CACEP	100		100	
SOWEFCU	-----	-----	-----	-----	-----
	Usine á café Yimgna Moïse				20
	Usine á café PIEPIE				10
	Sté Leukeu				10
SOCOTRA	Ets Panta Luc et Fils			15	
(Tchekounang)					
	Total par type d'engrais	172	45	234	50
	Total général: 501				

**Exhibit E-10**  
**NWCA Fertilizer Consumption, 1989-1992**  
 (tons)

	<u>20-10-10</u>	<u>Ammon Sulf</u>	<u>Urea</u>	<u>Total</u>
Consumption, 1989	4,366	1,108	376	5,850
Consumption, 1990	3,734	734	106	4,574
Stocks, 1 Jan 91	1,184	420	334	1,938
Procured, 1991	1,012	124	44	1,180
Total avail., 91	2,196	544	378	3,118
Stocks, 31 Dec 91	1,034	505	143	1,682
Consumption, 1991	1,162	39	235	1,436

**10.2 Estimated Needs for 1992**

NWCA estimates that it needs an additional 2,826 tons of fertilizer to meet 1992 needs. Adding estimated existing stocks, total consumption by type would be as follows:

	<u>20-10-10</u>	<u>Ammon Sulf</u>	<u>Urea</u>	<u>Total</u>
Existing stocks	1,034	365	285	1,684
Requirements	2,178	505	143	2,826
Total Est'd Cons.	3,212	870	428	4,510

NWCA expects to take delivery of 2000 tons of NPK 20-10-10 from Pelenget. If this amount plus all existing stocks were sold to cooperatives, total consumption for 1992 would be about 3700 tons, higher than in 1991, but still well below 1989 and 1990 consumption.

NWCA's prospects have improved compared to last year. The USAID PRAMS I program is contributing technical and financial assistance. The arabica coffee crop is much larger this year than last; NWCA expects to market over 4000 tons, according to the General Manager.

**11. UCAC**

**Lema Andre Marie Mathias, Interim Manager**  
 Yaounde, 25 March 1992

The situation at UCAC is much as reported two years ago. An interim manager appointed by the government is in charge.

Of the 8000 ton order placed with IBEX in 1989, UCAC was only able to pick up and pay for 2,105 tons. As of 30 June 1991, this stock had been reduced to 74 tons (49 tons

Ammonsulf, 15 tons of Urea, and 5 tons each of 20-10-10 and 12-06-20), and was estimated to be about 30 tons by March 1992. In February and March 1992, UCAC purchased 50 tons of 20-10-10 from SOWEFCU at FCFA 35,000 per ton and is now taking delivery. Sales are for cash only at FCFA 3500 per sack, much of it going to vegetable and pineapple farmers in the Yaounde area.

## 12. COOPROVINOUN

Amadou Kouotou, President  
Nji Fotso Andre, Vice President  
Foumbot, 1 April 1992

In the absence of the Manager, M.C. Isofa, it was not possible to get any data about consumption and future needs. We understand from importers, however, that the cooperative plans the purchase of 10,500 tons, consisting of 4000 tons of Urea, 3000 tons of 20-10-10, 1500 tons of 12-06-20, and 2000 tons of Ammonium Sulfate.

Consumers of this fertilizer would be growers of tomatoes (for the local market), green beans (for export), and other vegetables in the Noun Department.

COOPROVINOUN is also considering importing directly from suppliers abroad and has approached USAID for information on FSSRP importing financing.

## 13. SOCOTRA

Tchekounang Emmanuel, Director  
Nkongsamba, 30 March 1992

As reported in the 1989/90 annual assessment, this small firm engaged in truck transport has been distributing fertilizer in the Nkongsamba area of the Littoral Province. SOCOTRA marketed 2500 tons of fertilizer (bought from IBEX) during the 1989/90 program. In 1990/91, the firm sold 500 tons of Ammonium Sulfate purchased from CAMATREX at prices ranging from FCFA 35,000 to 40,000 per ton. In 1991/92, SOCOTRA purchased another 200 tons of Ammonium Sulfate from CAMATREX at FCFA 29,000 to 30,000 per ton plus 700 tons of Ammonium Sulfate, 20-10-10 and Urea from SOWEFCU at FCFA 35,000 per ton. The Director states that his current retail prices are FCFA 2000 per sack (FCFA 40,000 per ton). His sales to date include 600 tons to coffee processors in the Nkongsamba area (CACEP and Tzouvelos), as well as smaller amounts to coffee planters in the West Province. No 20-10-10 is available in the area at present, according to the Director.

#### 14. Jardins de Foubot

Claude Peyrot, Agricultural Manager  
Foubot 1 April 1992

Jardins de Foubot, which is owned by a French firm, acquired land in the Foubot area and began cultivation of green beans (haricot verts) in 1990. Eventually, 130 ha of beans will be grown under irrigation at the main site, and up to 350 ha additional on leased land at other sites not equipped with irrigation. It is possible to get 3 growing cycles under irrigation and 1.7 cycles on non-irrigated. Yields have reached 6 tons per hectare. Beans are hand graded and packed in a large packing shed at the site. To meet orders received daily from Paris by phone and fax, beans are trucked fresh to Douala and airshipped to Paris. The balance of production is frozen at the company's processing plant in Douala, and shipped to Europe either by sea or air.

Jardin de Foubot's annual fertilizer needs are approximately as follows:

20-10-10:	800 tons
12-06-20:	200 tons
Urea:	70 tons

Suppliers last year included IBEX, Complexe JBN, UCCAO, and a company called EKANGA. Prices ranged from FCFA 60,000 to 68,000 per ton for 20-10-10, an average of FCFA 60,000 per ton for 12-06-20, and 55,000 to 68,000 for Urea. One shipment of 33 tons of 12-06-20 purchased at FCFA 30,000 per ton arrived in very poor condition. Other types of non-subsidized fertilizer used include Ammonium Phosphate, Potassium Sulfate, and TSP.

The company experimented last year with outgrowers, extending them credit for seeds and fertilizer. However, many of these farmers sold their beans elsewhere and did not repay their loans. Current policy is to extend credit only to employees or to relatives or employees when the credit note is countersigned by the employee. "All others pay cash."

Jardins de Foubot plans to apply for "Point Franc" status under the Industrial Free Zone legislation.

## **APPENDIX F**

### **OTHER FINANCIAL AND DONOR ORGANIZATIONS**

1. Banque des Etats de l'Afrique Centrale (BEAC)  
Direction Nationale, Cameroon

Interviewed: Mr. Beke, Directeur National

Unfortunately, M. Beke did not seem as knowledgeable or as communicative as his predecessor, so our meeting was not as informative as last year. Please refer to last year's report on the BEAC meeting for more precise information on the role of the BEAC in the Cameroonian banking sector and restructuring.

1.1 Credit to the Economy and Bank Liquidity

The IMF imposes on BEAC a very restrictive ceiling for the amount of credit extended to the Cameroonian economy, to control government borrowing and inflation. The BEAC, in turn, continues to control credit directly by setting an upper limit on the amount of refinancing it will allow to each commercial bank as well as passing judgment on whether specific loans to a commercial bank's customers are eligible for refinancing (the BEAC has not yet passed to a system of indirect credit control). Deposits, the other primary source of bank funding, have stagnated in the last two years after previous significant drops but demand for credit is still high. This has meant that the limited amount of available BEAC refinancing has restricted the level of local bank lending and liquidity and interest rates have been at the maximum 21%. Beke would not confirm that the CFA 30 billion from CCCE would only serve to reduce SGBC and BICIC refinancing at the BEAC (as stated by Raffiot at Credit Lyonnais), but he did note that the liquidity situation at these two banks would continue to be tight.

1.2 Bank Restructuring Program

With the completion of the restructuring of SGBC and BICIC (for accounting purposes since there is no new money), the remaining banks to be restructured are BCCC and International Bank for Africa - Cameroon (IBAC - partially owned by James Onobiono). The BCCC operation should be concluded soon, and the IBAC is so small that its ultimate fate (liquidation or restructuring) will have no effect on the rest of the banking system.

1.3 Credits de Campagne

The preferential interest rate for refinancing agricultural loans has been eliminated. Agricultural loans to finance the purchase, processing, and export of the annual coffee and cocoa harvests can now be refinanced at the standard central bank rediscount rate of 10.75% per annum (as opposed to the previous preferential rate of about 8%). However, in view of the very tight liquidity situation, access to refinancing facilities at the central bank is a strong advantage almost regardless of interest rate. Mr. Beke was unable to tell us what the total size of this

year's "credits de campagne" would be or which banks would be participating in it.

#### 1.4 Medium Term Financing

Mr. Beke did state that the BEAC medium term refinancing facilities are almost unused. He did not think that this was caused by the fact that banks must charge the same rates on short term and medium term loans. Rather, he felt that it was due to the absence of bank liquidity (they have no long term deposits and have already reached the limit of their available central bank refinancing) and the lack of viable projects in a depressed economy. Consequently, he felt that making available long term FSSRP funds to local commercial banks for viable projects should be useful and attractive to both commercial banks and potential borrowers. He did not feel it necessary to obtain approvals from the BEAC to put such a facility in place.

### 2. CAISSE CENTRALE DE COOPERATION ECONOMIQUE (CCCE)

Interviewed: M. Jean-Luc Supera, Sous Directeur

#### 2.1 Background on CCCE

CCCE, the French development assistance agency, has played a leading role in restructuring the Cameroonian bank sector because the four largest banks in Cameroon were affiliates of French banks. BIAO-Cameroon was affiliated with BIAO-France, which was (before its liquidation) itself a subsidiary of BNP. BICIC is an affiliate of BNP, SGBC is an affiliate of Societe Generale, and Credit Lyonnais-SCB and its predecessor, Societe Camerounaise de Banques (SCB), were both affiliates of Credit Lyonnais. Since the French government is the majority shareholder in Credit Lyonnais and BNP and a minority shareholder in Societe Generale, the restructuring of their affiliates in Cameroon (and throughout West and Central Africa) is also a bilateral political issue, hence the involvement of CCCE.

#### 2.2 Assistance to the Banking Sector

Societe Camerounaise de Banques (SCB, which was renamed Credit Lyonnais-SCB after restructuring) was the first bank to be restructured, in 1990-91. When the bank was "Cameroonized" in the early 1980's, the Cameroonian government achieved majority ownership, controlled the Board of Directors, and appointed senior management. The results were particularly catastrophic at this bank due to incompetent and corrupt management, and it was the first big commercial bank to require restructuring. All bad debt (CFA 120 billion, half its assets) was spun off to the new Societe de Recouvrement de Creances (SRC), and it was recapitalized with new money from Credit Lyonnais. Supera noted that Credit Lyonnais had obtained more favorable treatment from the Cameroonian government in this operation than the other French banks in their restructurings. Since BIAO-France was liquidated, its troubled Cameroonian affiliate was liquidated in 1991 and the bank's branch system and good assets were sold by the Cameroonian government to Meridien Bank. BIAO-Cameroon's substantial bad debt was given over to the SRC for recovery.

CCCE played a direct role in the restructuring of BICIC and SGBC. Although both banks were technically bankrupt (bad debt amounted to more than combined provisions for bad debt plus bank capital, giving rise to a negative net worth), they had relatively less bad debt and greater liquidity. Supera was not able to provide the exact details, but CCCE provided CFA 30 billion to the government of Cameroon for the following purposes:

	CFA 8.5 billion	new capital and funds for BICIC
	CFA 8.5 billion	new capital and funds for SGBC
	CFA 13 billion	new funds for SNI, to cover bank arrears
<b>TOTAL:</b>	<b>CFA 30 billion</b>	

As part of the overall operation to sanitize bank balance sheets, BICIC and SGBC officially wrote off a large portion of their bad debt, with the resultant loss substantially reducing bank capital. At the same time, the banks' shareholders (Cameroonian government, BNP, Societe Generale) also canceled or partially wrote off deposits held at the bank, enabling the cancellation of additional bad loans. For example, Supera stated that the government oil company, SNH, wrote off CFA 19 billion in deposits that it held at BICIC alone, allowing the cancellation of a like amount of bad loans to bankrupt parastatals on BICIC's balance sheet (the effect is that the government "nets out" its bad debt with the banking system against money it had on deposit with banks). The remaining bad debt at these two banks was then exchanged with the SRC for an equivalent amount of loans owed by higher quality (presumably good) borrowers.

After recognizing the losses from bad loans, the banks needed to be recapitalized ("coup d'accordion") in order to complete the restructuring. Both SGBC and BICIC had their original capital of CFA 6 billion reconstituted. The Cameroonian government contributed its share in the form of new money (borrowed from the CCCE), foreign shareholders transformed their remaining deposits with the banks into equity, and new private shareholders are being solicited (Cameroonian businessmen and IFC - still to subscribe), as detailed below:

<u>Shareholder</u>	<u>SGBC</u>	<u>BICIC</u>
Government of Cameroon	10%	31%
BNP and other foreign banks		36%
Societe Generale and other F.B.	55%	
Private Cameroonians and IFC	<u>35%</u>	<u>33%</u>
	100%	100%

### 2.3 Societe Nationale d'Investissement (SNI)

In addition to providing the Cameroonian government with CFA 17 billion total to pay in capital and repay arrears to BICIC and SGBC, CCCE also lent CFA 13 billion to the government to pay off SNI interest arrears to the banking system. Commercial banks in Cameroon had been required to use a fixed percentage of their deposits to buy CFA 70 billion in long term bonds issued by SNI, a state owned finance corporation, which used these funds

to invest in and make long-term loans to Cameroonian industry. Most of SNI's loan portfolio went bad and the company had defaulted on its bond payments due to commercial banks. The CFA 13 billion will allow the Cameroonian government to repay the interest and principal arrears of SNI to commercial banks, which should boost their liquidity. In addition to this CFA 30 billion program, CCCE has also contributed to funds to restructure 10 major public enterprises, such as SODECOTON, allowing them to eliminate arrears to the banking system and improving liquidity.

#### 2.4 Lending Conditions

CCCE has applied the following conditions for its continued aid to the Cameroonian government and banking sector:

1. One of the major problems of banks has been their inability to legally pursue debtors because of a corrupt and inefficient judiciary. To improve this situation, the Cameroonian government had given banks a temporary "privilege du tresor" which allows them to pursue and seize property through the court system with an exemption from counter suits. This privilege expired in October, 1991 but must be renewed when the National Assembly next reconvenes.
2. A new, independent Commission Bancaire is to be established to license and inspect banks.
3. FOGAPE has been closed and a new medium term loan guarantee fund is to be set up with contributions from local banks.
4. Banking regulations in general are being reviewed and rewritten.
5. A centralized list of debtors and their repayment status at each bank will be established and maintained at the Central Bank.

#### 2.5 Medium Term Lending

Supera recognized that no medium term lending is taking place in Cameroon, in part because there is no source of medium term funds for the local banking system. The normal sources of medium term funds, the insurance companies and pension firms such as CNPS, have also been involved in required lending to the government and government firms, so funds have not been available for private sector investment. Supera stated that this sector will also have to be restructured, but they have not yet done much work on it.

### 3. MINISTRY OF FINANCE

Interviewed: Mr. Astier, Directeur  
Cellule de la Restructuration Bancaire

Astier has been seconded to the Cameroonian Ministry of Finance to assist with bank

restructurings for the past 25 months. He is due to return to France before the end of June, 1992.

### 3.1 Current Status of Bank of Credit and Commerce - Cameroon

Astier has been handling this dossier personally and expects a final resolution by May 15. As occurred with BIAO-Cameroon, BCCC will be liquidated and the residual good assets sold to another bank along with a corresponding amount of deposits. The remaining recoverable assets will be transferred to the Societe de Recouvrements de Creances, with any residual bad debt written off against deposits of the Cameroonian government and parastatals. The portfolio of "good" assets has been identified, and Astier stated that he also has an informal list of deposits to be transferred with these assets. Astier assured us that the CFA 3.5 billion in FSSRP deposits were on this list and would be transferred intact to a new bank when BCCC is liquidated. Priority will be given to deposits from the private sector, official aid organizations (i.e. FSSRP), and Cameroonian institutions such as CNPS.

Negotiations concerning the sale of BCCC assets are quite advanced. The general structure of the transaction has been outlined but final price and a specific financial structure for a recapitalization has yet to be agreed upon. Although Standard Chartered is commonly acknowledged to be the leading bidder for the BCCC assets, Astier took pains to state that other options and bidders are under consideration.

### 3.2 Liquidity of FSSRP Deposits

Although FSSRP deposits are to be transferred to a new solvent bank, Astier confirmed that they are not now a liquid resource nor will they be in the near future. BCCC certainly does not have the liquidity to transfer the deposits to another bank and its eventual purchaser is unlikely to have the liquid resources to transfer such a large amount either. So, for all intents and purposes, FSSRP fund management must be left with BCCC and its eventual purchaser for the foreseeable future.

### 3.3 Liquidity of the Cameroonian Banking System

Although restructuring of the Cameroonian banks will be completed with the liquidation of BCCC, the liquidity situation of the banking system as a whole will remain fragile. Deposit rates in Europe are about 9% - 10% per annum compared to 10% - 11% in Cameroon. This slight risk premium does not nearly compensate a potential depositor for the perceived risk of placing funds in the troubled Cameroonian banking system. So, capital flight is and will continue to be a real problem even without considering rumors of a CFA devaluation. This puts a tremendous liquidity strain on the banking system, already stretched to the limit by the enormous contraction in government deposits. This in turn will continue to severely restrict credit to the economy and interest rates will continue to remain high. Astier noted that, although it would be conceptually desirable for the government to eliminate its 2%-3% taxes on credit, practically speaking the Cameroonian government cannot afford to lose these revenues.

### **3.4 Medium Term Investment and Lending**

These high interest rates will not do much to encourage medium term investment in Cameroon. However, Astier felt that the high cost of credit was not the primary deterrent to medium term investment. Cameroonian banks are extremely risk averse given their recent experiences with bad debt and Cameroonian investors are not in the habit of investing adequate capital of their own in new ventures. As a partial solution to this, Astier said that he will be assisting the Cameroonian government over the next several months in putting together a Fonds de Garantie Interbancaire. This fund will be capitalized with contributions from foreign donors and Cameroonian banks and will guarantee a portion (perhaps 25%-30%) of medium term loans made by Cameroonian banks. Minimal capital requirements for eligible projects will be about 50% in order to reduce project risk. Astier felt that a FSSRP medium term loan program could work quite well in providing banks with medium term funding that is currently unavailable.

### **4. World Bank**

Interviewed: Robert Blake, Economist

Unfortunately, Blake was not as knowledgeable about the banking sector as his predecessor, Tamara Ames, had been in 1991.

#### **4.1 Structural Adjustment Loan (SAL)**

The World Bank has had a Structural Adjustment Loan (SAL) program in place in Cameroon since 1989. The US \$150 million loan was divided into three US \$ 50 million tranches, one disbursed in 1989, another in 1991, and the third "pending". The last tranche has not been disbursed because conditions set for disbursement have not been met. These conditions are:

- a) Observation of the macro-economic conditions set by the IMF.
- b) Specific sectoral objectives, including dismantling of ONCPB, reform/restructuring of public enterprises, establishment of a new labor code, new regulations governing the banking sector, settlement of SNI arrears.

Non-observance of World Bank conditionality is primarily administrative in nature. For example, a new labor code has been devised which, among other aspects, should make it easier to fire personnel in the private sector. However, following the recent legislative elections, the new code was not presented to the National Assembly in December, 1991 and has not yet been adopted. As a result, Cameroon is not in technical compliance with the World Bank SAL. The current IMF standby program is due to expire in June and appears to have generally been followed. Its primary goal was to reduce the Cameroonian recurrent budget by about 15% through the elimination of special allowances for civil servants such as the housing allowance, which could sometimes double an employee's salary. The size of the Cameroonian civil service

has remained static over the past several years at about 120,000 and has not been specifically targeted for reduction. However, the World Bank has identified several government ministries in need of re-organization, which should indirectly result in a work force reduction.

#### 4.2 Conditions Concerning the Banking Sector

World Bank conditions concerning the banking sector are mostly general in nature. The government has made progress in restructuring the sector. Societe Generale and BNP should complete the recapitalization of their respective local affiliates by the end of this month. According to Blake, BNP essentially paid off the Cameroonian government in order to rid itself of its other bankrupt local affiliate, BIAO-Cameroon. Bank of Credit and Commerce - Cameroon despite its problems was still "liquid" up through its purchase by Standard Chartered Bank Cameroon. Primary responsibility for restructuring the sector is being taken by the CCCE, which is providing the funding, along with the Cameroonian government. The World Bank itself is providing no direct funds - its SAL goes to the government for general budgetary use.

One specific condition of the SAL is that the Societe Nationale d'Investissement (SNI) be restructured. Banks were required to purchase CFA 70 billion in long-term bonds ("bons d'equipement") to fund the SNI, which has not been able to repay them. The government has taken over the SNI and its obligations. Although SNI has not been shut down, its current functions are limited to recovery of its outstanding loans and payment of the CFA 2 billion per year it owes on its commercial bank debt. It will receive no new subscriptions and make no more new investments.

#### 4.3 ONCPB Arrears

Blake said that the latest CFA 23 billion payment by the European STABEX fund should allow the Cameroonian government to clear its remaining ONCPB arrears. Although STABEX funds are intended as general balance of payments support from the EC in compensation for shortfalls in revenues from commodity sales, they are also conditional. STABEX required, for example, an audit of SODECAO prior to disbursement.

#### 4.4 Devaluation

Blake stated that (contrary to his predecessor) devaluation of the CFA currency was not a World Bank policy issue. Although the CFA overvaluation has a strong impact on World Bank programs, Blake considered it a question to be left to CFA zone countries and France, in consultation with the IMF.

#### 4.5 Medium Term Lending

With inflation running at an annual average rate of 2%, current "real" medium term lending rates (through discount facilities at the BEAC) are about 13%. With such a high cost of capital, it is difficult to identify commercially feasible investments.