

PD APT-111 86946

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number 631-T-603B/PROGRAM No. 631-0068	
		2. Country CAMEROON	
		3. Category Program of Reform in the Agricultural Marketing Sector, Phase-I (PRAMS I)	
		4. Date	
5. To PETER BENEDICT Mission Director, USAID/Cameroon		6. OYB Change Number N/A	
7. From Lucretia Taylor Chief, Office of Program Management and Project Development		8. OYB Increase N/A To be taken from: N/A	
9. Approval Requested for Commitment of \$3,500,000		10. Appropriation Budget Plan Code 72-112/31014 GSS2-92-31631-KG39	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input checked="" type="checkbox"/> Formal <input type="checkbox"/> None	13. Estimated Delivery Period 08/90 - 01/93	14. Transaction Eligibility Date Date of Grant Agreement
13. Commodities Financed			

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16. Permitted Source U.S. only \$3,500,000 Limited F.W. Free World Cash	17. Estimated Source U.S. \$3,500,000 Industrialized Countries Local Other
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A. Project Overview: This facesheet authorizes \$3,500,000 of the approved \$18,000,000 in non-project assistance to the Program of Reform in the Agricultural Marketing Sector (PRAMS I). The \$3,500,000 represents the third and last obligation under the Sector Cash Grant for an \$18,000,000 Life of Project (LOP) amount. This \$23,500,000 Program includes \$5,500,000 in project assistance. The purpose of PRAMS I is to: (1) remove the marketing impediments and pricing constraints in the arabica coffee subsector; (2) strengthen the capacity of North West Cooperative Association to compete in a liberalized market and (3) establish an institutional environment for more autonomous and accountable marketing cooperatives.

B. Conditions Precedent to Disbursement of Sector Cash Grants: In addition to the standard conditions precedent (legal opinion, designation of authorized representatives, establishment of separate dollar and special currency accounts), the following conditions and covenants will be included in the substance of the Program Grant Agreement:

19. Clearances	Date	20. Action
EAPRI:FVezina	8/2/90	<input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED Authorized Signature: <i>[Signature]</i> Date: 7/8/92 Title: Mission Director, USAID/Cameroon
EAPRI:TTruong	8/27/92	
CONT:ABurkey	7/2/92	
RLA:JKnott (Draft)		

1. Conditions Precedent to the First Disbursement

Prior to the first disbursement of funds under the Grant in the amount of Seven Million Five Hundred Thousand United States dollars (\$7,500,000) or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing:

(a) Furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) An opinion of legal counsel that this Agreement has been duly authorized and executed on behalf of the Grantee and that it constitutes a valid, legally binding obligation of the Grantee in accordance with all of its terms;

(ii) A statement of the names and titles of the persons who will act as representatives of the Grantee under Section 8.2, together with a specimen signature of each person named in such statement;

(iii) A statement designating the United States bank and the number of the Separate Dollar Account into which the disbursement is to be made;

(iv) A statement confirming that the Special Local Currency Account required by Section 5.1 of this Agreement has been opened in the name of the Government of Cameroon and specifying the bank and the number of the account;

(v) Written procedures, agreed to by A.I.D., describing the mechanism by which local currency will be released from the Special Local Currency Account and the procedures which will assure that funds from the Special Local Currency Account are used for purposes mutually-agreed upon by the Parties.

(b) Furnish to A.I.D., in form and substance satisfactory to A.I.D., a letter of intent signed by a representative of the Grantee specified in Section 8.2 of this Agreement, or such other person as A.I.D. may agree to in writing, which commits the Grantee to:

(i) review, revise, promulgate and, on an annual basis, publicize the graduated tax structure to be applied to arabica coffee; and

(ii) as a replacement for the present system of multi-year stabilization, authorize, and publicize such authorization of, the existing marketing cooperatives in the North West and West Provinces (the "Western Region"), and all future marketing organizations involved in the marketing of arabica coffee in the Western Region, to adopt pricing structures, after consultation with the Grantee, that are independent of the supervision or control of the Office National de Commercialisation des Produits de Base/National Produce Marketing Board ("ONCPB/NPMB") that guarantee full financial autonomy for such existing

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and future marketing cooperatives and organizations in the setting of producer prices based on processing costs and world market prices for arabica coffee;

(c) Furnish to A.I.D., in form and substance satisfactory to A.I.D., an agreement in writing that the Grantee will:

(i) no later than December 31, 1990, grant to the North West Cooperative Association (the "NWCA") the right to export arabica coffee directly to foreign markets;

(ii) maintain the status of the existing coffee marketing cooperatives in the Western Region (collectively, the "Cooperatives") as the sole authorized buyers of arabica coffee in the Western Region thereby postponing the introduction of Licenced Buying Agents or any buyers other than the Cooperatives to operate in the Western Region until either the 1991-92 or the 1992-93 campaign, as determined by the joint cooperative review by the Government of the Republic of Cameroon, A.I.D., the World Bank, the Caisse Centrale de Cooperation Economique, and the Cooperatives to be held in August of 1991 (the "Joint Cooperative Review");

(iii) announce publicly that it will take all of the actions described in subparagraphs (i) and (ii) of this Section 3.1.(c) of this Agreement and

(d) Furnish to A.I.D., in form and substance satisfactory to A.I.D., a written plan for the repayment of all arrears owed to the NWCA by ONCPB/NPMB by no later than December 31, 1990.

2. Conditions Precedent to the Second Disbursement

Prior to the second disbursement of funds under the Program grant in the amount of Three Million Five Hundred Thousand United States dollars (\$3,500,000) or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first disbursement of dollars under the Grant, and specifically:

(i) the NWCA has the right to export arabica coffee directly to foreign markets;

(ii) the Grantee has continued to maintain the status of the Cooperatives as the sole authorized buyers of arabica coffee in the Western Region and has continued to withhold permission for Licensed

Buying Agents or any buyers other than the Cooperatives to operate in the Western Region until either the 1991-92 or the 1992-93 campaign, as the case may be, as determined by the Joint Cooperative Review;

(iii) the Grantee has submitted a detailed timetable, agreeable to NWCA and NPMB/Bamenda, for the transfer to NWCA of all of the hulling equipment in the custody of NPMB/Bamenda by December 31, 1990 and for the transfer to NWCA of all other assets owned by or in the custody of NPMB/Bamenda by a date mutually agreeable to the Parties;

(iv) the Grantee has continued to permit the Cooperatives, and will permit any and all future marketing organizations involved in the marketing of arabica coffee in the Western Region, to adopt, after consultation with the Grantee, pricing structures that guarantee full financial autonomy for such marketing organizations;

(b) the Grantee has released and applied a "Declaration of Policy for Cooperatives and Other Economic Groups" which will govern the application of the legislation then in effect relating to cooperatives; and

(c) the Grantee has released and applied a "Statement of Policy on Marketing Cooperatives in the Western Region" which will govern the application of the legislation then in effect relating to the Cooperatives and through which the Supervisory Minister of cooperatives shall:

(i) exercise his right under Section 37(2) of Law No. 73/15 of December 7, 1973 ("the Law") to waive the requirement of the compulsory and education reserve funds for the Cooperatives;

(ii) identify the types of investments by the Cooperatives in support of the goals of the Program for which approval is granted as provided for in Section 38 of the Law.;

(iii) apply those sections of the Law and its decree of application related to supervision and control toward the Cooperatives in a manner consistent with full liberalization of marketing and autonomy for cooperatives; and

(iv) authorize the Cooperatives to revise their internal accounting procedures in a manner consistent with generally accepted accounting principles and for annual audits of the Cooperatives solely by chartered accounting firms.

3. Conditions Precedent to the Third Disbursement

Prior to the third disbursement of funds under the Program grant in the amount of Three Million Five Hundred Thousand United States dollars (\$3,500,000), or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing,

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furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the first and second disbursements of dollars under the Grant, and specifically:

(i) the NWCA continues to have the right to export arabica coffee directly to foreign markets;

(ii) the Grantee has continued to maintain the status of the Cooperatives as the sole authorized buyers of arabica coffee in the Western Region and has continued to withhold permission for Licensed Buying Agents or any buyers other than the Cooperatives to operate in the Western Region until either the 1991-92 or the 1992-93 campaign, as the case may be, as determined by the Joint Cooperative Review;

(iii) the Grantee has caused all arrears owed to the NWCA by the ONCPB/NPMB to be repaid;

(iv) the Grantee has completed the orderly transfer to the NWCA of all of the hulling equipment owned by or in the custody of NPMB/Bamenda and the orderly transfer to the NWCA of all other assets owned by or in the custody of NPMB/Bamenda is proceeding according to the timetable described in Section 3.2(a)(iii) of this Agreement;

(v) the Grantee has continued to permit the Cooperatives, and will permit any and all future marketing organizations involved in the marketing of arabica coffee in the Western Region, to adopt, after consultation with the Grantee, pricing structures that guarantees full financial autonomy for such marketing organizations;

(vi) the Grantee has continued to apply the policies promulgated in Sections 3.2(b) and 3.2(c).

(b) the Grantee has put into place a graduated tax structure applicable to arabica coffee.

4. Conditions Precedent to the Fourth Disbursement

Prior to the fourth disbursement of funds under the Program grant in the amount of Three Million Five Hundred Thousand United States dollars (\$3,500,000), or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence of all of the following:

(a) the Grantee has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any of the conditions precedent to the

prior three disbursements of dollars under the Grant, except as noted in Section 3.4(c), and specifically:

(i) the NWCA continues to have the right to export arabica coffee directly to foreign markets;

(ii) the Grantee is still adhering to the timetable described in Section 3.2(a)(iii) of this Agreement;

(iii) the Grantee has continued to permit the existing marketing cooperatives in the Western Region, and all future marketing organizations involved in the marketing of arabica coffee in the Western Region, to adopt pricing structures that guarantees full financial autonomy for such existing and future cooperatives and marketing organizations; and

(b) the Grantee has submitted legislation to the National Assembly, that revises or replaces the Law, to provide for full managerial and financial autonomy for arabica marketing cooperatives in The Western Region and limit the role of the Government of the Republic of Cameroon in the regulation of the activities of these cooperatives.

(c) the Grantee has discontinued the practices set forth in Sections 3.1(c)(ii) and referenced in Sections 3.2(a)(iii) and Sections 3.3(a)(iii) and thereby opened the internal and external marketing of arabica coffee in the Western Region to full competition.

5. Special Covenants

(a) The Grant will be free from any taxation or fees imposed under the laws in effect in the Republic of Cameroon.

(b) The Grant will not be used to finance military, paramilitary or police requirements of any kind, including training or the procurement of commodities or services to be used by the military or police, or to pay the principal or interest on loans to the military or police.

(c) During the life of the Program, the Government of the Republic of Cameroon agrees that it shall:

(i) consult with A.I.D. on an ongoing basis for the specific purpose of implementing the reforms proposed to be achieved pursuant to the Program as provided for and evidenced by this Agreement;

(ii) permit the internal and external marketing of arabica coffee to be open to full competition at all times subsequent to the time determined pursuant to the Joint Cooperative Review, or subsequent to such other time as the Grantee and A.I.D. may agree to in writing;

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(iii) upon promulgation, establish a graduated tax structure applicable to arabica coffee which will be applied only when world market prices, less objectively identifiable costs, are above minimally acceptable levels of farmer income; and

(iv) in the event that the International Coffee Agreement ("ICA") is reinstated or reconstituted, adopt a system for allocating ICA export quotas that ensures full and timely access of arabica exporters to world markets.