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**MID-TERM EVALUATION
FOR
THE PROGRAM OF REFORM IN THE AGRICULTURAL
MARKETING SECTOR
PRAMS I**

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Phase I

A.I.D. Mid-term Evaluation

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EXECUTIVE SUMMARY

A. Background

Cameroon experienced over a decade of rapid economic growth from 1972 to 1986, before experiencing a global economic recession. The GRC, in an effort to reverse the trend of its ailing economy requested the assistance of aid donors, including USAID. USAID and the GRC designed and collaborated on a long-term development assistance effort to reform its market for agricultural products through the **Program of Reform in the Agricultural Marketing Sector, Phase I (PRAMS I)**.

The purpose of PRAMS I is to promote, without undue social costs, the introduction of private and competitive market forces at all levels of the arabica marketing channel. The North West Cooperative Association (NWCA) was the first institution which would be restructured under this project.

PRAMS I, which began in 1991, included in its design, provision for a mid-term and final evaluation. This mid-term evaluation is being done 34 months after the start-up of the project with a project assistance completion date (PACD) of September 30, 1994. The evaluation team was composed of an institutional analyst, an agricultural economist, and an arabica coffee marketing specialist.

B. Summary of Evaluation and Project Design Findings

1. Evaluation Findings

All parties involved have shown a keen interest in PRAMS I success, although the execution process has not been very smooth.

Nevertheless, the project has achieved over 65 percent of its objectives including the following:

- a. The arabica producer prices are more or less determined by competitive market forces as of the 1992/1993 season, following the dismantling of a 30 year old price fixing mechanism in the arabica coffee sector;
- b. The government stabilization fund for arabica coffee ceased to exist with the abolition of the NPMB in July 1991;
- c. NWCA's temporary monopoly power was rescinded at the end of 1992;
- d. NWCA currently exports to foreign buyers and without any GRC intervention;

- e. All arrears are paid and assets of the NPMB are transferred to NWCA;
- f. The internal cost structure of the NWCA has been improved;
- g. The cooperative Law has been passed and adopted.

Other key evaluation findings are provided below:

- NWCA has attempted some restructuring, but its marketing costs are still 36 percent larger than that of its competitor, UCCAO. NWCA exports coffee, but it is still not competitive on the world arabica coffee market. Its coffee is sold for blending with other higher quality coffee.
- The market liberalization policy aspect of PRAMS is progressing well, but farmers are still not sure of their position in the whole scheme of market liberalization. PRAMS I design did not include, at its conception, an Arabica Marketing Information System (AMIS). AMIS, as now planned, should soon be providing good support for the market liberalization process.
- Although the program design tried to address policy reform issues, many of the direct impact/effects normally associated with policy changes were not thoroughly considered at the initial stages of the project. The condition precedent approach is a valid instrument for effecting policy changes. The policy dialogue aspect is an open and candid way in getting people involved in programs that affect their well being, and should therefore, be continuous.
- The technical assistance, both short and long term, has provided strong and needed support to the policy reform process. Some members of the TA team have made good progress towards working within the NWCA despite strong differences at times. The future level of success will depend on how well they organize and execute the planned training program on cooperative and market liberalization.
- The peace corps has done a good job in the field. Their role in the process of market liberalization should be studied. It is proposed that they have dual roles: help the cooperative in the new accounting procedures, and at the same time participate in the policy dialogue process, training the CPMS to be independent.

Future projects should be aimed at policy dialogue focusing on creation of an "enabling environment" for agribusiness development, that is "improve the conditions for private sector trade"; and pilot activities on small farm and business assistance in the rural areas. Without

small farm assistance in the form of credit, the process of market liberalization policies will be stifled.

2. Project Design Findings

Despite the many positive findings noted above, the evaluation discovered several design flaws which have constrained full implementation and evaluation of this project. Design problems include:

a. Lack of Project Evaluation Logframe

The absence of a logframe which outlines project milestones, implementation and evaluation benchmarks prevents the opportunity to adequately measure progress made by the project.

b. The project failed to provide a mechanism for dissemination of information on market prices, product quality and availability.

This was recognized only after two years into the project. A market information system for arabica coffee marketing is soon to be implemented.

c. A project aimed at market liberalization, accorded monopoly status to NWCA at the early stages which would be rescinded latter.

This was a major flaw since a monopoly is always inefficient and hinders competition.

d. Technical assistance was provided at the project level, but not at the policy level.

Technical assistance for policy reform dialogue should be provided in Yaounde.

C. Summary Recommendations

1. United States Agency for International Development (USAID)

- a. USAID in concert with other donors should continue present policy dialogue with the GRC in order to enhance the effectiveness of the policy reform implementation process.
- b. USAID should organize workshops and seminars to discuss the plan of action to be carried out during the remaining lifetime of PRAMS I. Future plans should be aimed at fostering enabling environment for promoting agribusiness development.

2. Government of the Republic of Cameroon (GRC)

- a. The Government of Cameroon must develop mechanisms to thoroughly institutionalize policy reform so that there is no process reversal with time. This involves putting into place a committee to monitor the progress of policy reform and to develop an archive section where the policy reform documents are kept in a systematic way, and accessible to the public. This could be linked to future USAID program development.
- b. The GRC must resolve its continuing difficulties in matching local currency deposits and the hardship created on intended beneficiaries. It should begin a direct dialogue with USAID unless other solutions are available and currently under consideration.
- c. With trade liberalized, GRC must now insure the free access to information concerning price, product and market conditions through the creation of a management information system.

3. NWCA

- a. The emphasis during this final year of the project should be on quality improvement. To obtain a quality coffee as high as that of Central America, NWCA should begin educating the farmers on quality improvement. The CPMS must pay according to the quality of coffee supplied by farmers.
- b. The operation of mills at 5 percent or less than full capacity is economically inefficient. A study should be conducted to determine the feasibility of combining or closing certain mills.
- c. Money presently allocated for the purchase of new processing equipment should be diverted to strengthening the marketing division, i.e., the development of cupping and sampling rooms.
- d. NWCA should set up a task force to examine the assets and liabilities of NWCA, and seek a way of eliminating all debts, and salvaging assets which may be presently white elephants. This will help increase the transparency of the accounting system.

RESUME

A. Généralités

Le Cameroun a connu plus d'une décennie de forte croissance économique de 1972 à 1986, avant la récession économique globale actuelle. Pour remédier à sa situation économique inquiétante, le Gouvernement de la République du Cameroun (GRC) a sollicité l'assistance des bailleurs de fonds parmi lesquels l'USAID. L'USAID et le GRC ont collaboré à l'élaboration et à la mise en oeuvre d'un programme d'assistance à long terme (le **Programme de Réforme du Secteur de la Commercialisation Agricole, Phase I - PRESICA I**), pour réformer la commercialisation des produits agricoles.

Le PRESICA I vise à promouvoir, sans coûts sociaux excessifs, l'introduction des forces compétitives de marché à tous les niveaux de la commercialisation du café arabica. La North West Cooperative Association (NWCA) était le premier organisme devant faire l'objet d'une restructuration dans le cadre de ce programme.

Dans sa conception même, le PRESICA I, qui a démarré en 1991, prévoyait une évaluation intermédiaire et une évaluation finale. La présente évaluation intermédiaire a été réalisée 34 mois après le début du projet, la date d'achèvement de l'assistance à celui-ci étant fixée au 30 septembre 1994. L'équipe d'évaluation comprenait un analyste institutionnel, un agro-économiste et un spécialiste de la commercialisation du café arabica.

B. Récapitulatif des conclusions de l'évaluation et de l'examen de la conception du projet

1. Conclusions de l'évaluation

Tous les participants au PRESICA I ont manifesté un grand intérêt pour ce programme, bien que sa mise en oeuvre ait connu des hauts et des bas.

Toutefois, le projet a réalisé plus de 65 % de ses objectifs, parmi lesquels on peut citer les suivants

- a. Les prix aux producteurs de café arabica sont plus ou moins déterminés par les forces compétitives du marché depuis la campagne 1992/1993, à la suite de l'abandon du mécanisme de fixation des prix dans le secteur du café arabica, lequel mécanisme datait de 30 ans;
- b. Le fonds de stabilisation mis en place par le GRC pour le café arabica a été supprimé avec la dissolution de l'ONCPB en juillet 1991;
- c. Le monopole temporaire de la NWCA a été supprimé à la fin de l'année 1992;
- d. La NWCA exporte actuellement en direction des acheteurs étrangers sans plus aucune intrusion du GRC;
- e. Tous les arriérés sont en cours de paiement et les actifs de l'ONCPB sont en cours de transfert à la NWCA;
- f. La structure des coûts internes de la NWCA a été améliorée;

g. La loi sur les coopératives a été adoptée et promulguée.

Les autres conclusions essentielles de l'évaluation sont les suivantes :

- La NWCA a fait un effort de restructuration, mais ses coûts de commercialisation restent de 36 % supérieurs à ceux de son concurrent l'UCCAO. La NWCA exporte du café, mais elle n'est pas encore compétitive sur le marché international du café arabica. Son café est acheté pour servir au mélange avec des cafés de meilleure qualité.
- Le volet "libéralisation de la commercialisation" du PRESCA I progresse harmonieusement, mais les producteurs ne sont pas encore assurés de leur statut au sein du vaste programme de libéralisation du marché. Dans sa conception, le PRESCA I n'avait pas prévu un Système d'Information sur le Marché du Café Arabica (AMIS). Tel qu'envisagé actuellement, le système AMIS devrait pouvoir bientôt fournir un appui important pour le processus de libéralisation de la commercialisation.
- Bien que dans sa conception, le programme se soit penché sur le problème de la réforme des politiques, plusieurs des incidences ou effets directs résultant logiquement des modifications de politiques n'ont pas fait l'objet d'un examen attentif au cours des étapes initiales du projet. L'approche consistant à imposer des conditions préalables est efficace quand on veut réaliser des changements de politiques. Le dialogue sur les questions de politiques est une approche franche et candide qui permet d'associer des personnes aux programmes ayant une incidence sur leur bien-être, et doit par conséquent être permanent.
- L'assistance technique, tant à court qu'à long terme, a fourni l'appui nécessaire pour le processus de réforme des politiques. Certains des membres de l'équipe d'assistance technique ont réalisé des progrès considérables dans leur travail au sein de NWCA, malgré de profondes divergences de temps à autre. A l'avenir, les succès dépendront de leur manière d'organiser et d'exécuter le programme de formation prévu sur la libéralisation des coopératives et du marché.
- Le Corps de la Paix a réalisé un excellent travail sur le terrain. Son rôle dans le processus de libéralisation de la commercialisation devrait faire l'objet d'une étude. Nous proposons que le Corps de la Paix joue un double rôle : aider les coopératives à appliquer les nouvelles procédures de comptabilité, et en même temps, participer au dialogue sur des questions de politiques et former les sociétés primaires à être autonomes.

A l'avenir, les projets devront mettre l'accent sur le dialogue sur les questions de politiques, pour permettre la création d'un environnement susceptible de promouvoir le développement de l'agro-entreprise, c'est-à-dire, d'améliorer les conditions de la commercialisation par le secteur privé; ils devront également mettre l'accent sur les activités pilotes dans les petites exploitations agricoles et l'assistance aux zones rurales en matière de commercialisation. Sans une assistance aux petites exploitations agricoles sous forme de crédits, le processus des politiques de libéralisation du marché ne pourra être viable.

2. Conclusions sur la conception du projet

Malgré les divers aspects positifs répertoriés ci-dessus, l'évaluation a révélé plusieurs défaillances dans la conception du projet, lesquelles défaillances constituent des obstacles à une mise en oeuvre et une évaluation pleines et entières dudit projet. Ces défaillances sont les suivantes

a. Absence d'un canevas pour l'évaluation du projet

L'absence d'un canevas indiquant les principales étapes du projet et de sa mise en oeuvre a entravé l'évaluation adéquate des progrès réalisés par le projet.

b. Le projet n'a pas prévu de mécanisme pour la diffusion des prix sur le marché ainsi que des informations sur la qualité du produit et le niveau de l'offre.

Il n'a été pris acte de cette défaillance que deux ans après le démarrage du projet. Un système d'information sur le marché du café arabica sera bientôt mis en place.

c. Le projet, qui vise à la libéralisation du marché, a accordé un monopole à la NWCA au début dudit projet, lequel monopole ne sera supprimé qu'ultérieurement.

Il s'agit là d'une défaillance importance compte tenu du fait que le statut de monopole est toujours préjudiciable et entrave la compétition.

d. L'assistance technique a été fournie uniquement en faveur du projet, au détriment des questions de politiques.

Une assistance technique pour permettre le dialogue sur les questions de réforme des politiques devrait être fournie à Yaoundé.

C. Récapitulation des recommandations

1. Agence Américaine pour le Développement International (USAID)

- a. L'USAID, conjointement avec les autres bailleurs de fonds, devrait poursuivre le dialogue mené actuellement avec le GRC sur les questions de politiques, en vue d'améliorer l'efficacité dans la mise en oeuvre de la réforme des politiques.
- b. L'USAID devrait organiser des séminaires et ateliers pour discuter du plan d'action devant être exécuté pendant le reste de la durée du PRESCA I. A l'avenir, les plans d'action devront viser à la promotion d'un environnement susceptible de favoriser le développement de l'agro-entreprise.

2. Gouvernement de la République du Cameroun (GRC)

- a. Le Gouvernement devrait élaborer des mécanismes pour institutionnaliser exhaustivement la réforme des politiques, en vue de rendre le processus irréversible. Il s'agit entre autres de mettre en place un comité de suivi des progrès de la réforme des politiques et de créer un section "archives" pour la conservation systématique des documents relatifs à la réforme et pour leur mise à la disposition du public. Les programmes de développement de l'USAID à l'avenir pourraient tenir compte de tels mécanismes.
- b. Le GRC devrait résoudre ses difficultés permanentes à fournir des fonds de contrepartie, ce qui impose une situation difficile aux bénéficiaires du projet. Il devrait entamer un dialogue direct avec l'USAID sur les questions de politiques, à moins que d'autres solutions n'existent et ne soient actuellement envisagées.
- c. Avec la libéralisation de la commercialisation, le GRC doit maintenant garantir le libre accès aux informations sur les prix, les produits et les conditions prévalant sur le marché, par la création d'un système de gestion de l'information.

3. NWCA

- a. Au cours de cette dernière année de mise en oeuvre du projet, l'accent doit être mis sur l'amélioration de la qualité. Pour obtenir un café de qualité aussi bonne que celui de l'Amérique Centrale, la NWCA devrait commencer à apprendre aux producteurs comment améliorer la qualité. Les sociétés primaires doivent payer en fonction de la qualité du café fourni par les producteurs.
- b. L'exploitation des usines de traitement à 5 % (ou moins) de leur capacité est économiquement inefficent. Une étude devrait être menée pour déterminer la possibilité de fusionner ou de fermer certaines usines.
- c. L'argent actuellement alloué à l'achat de nouveaux équipements de traitement devrait plutôt être investi dans le renforcement du Département de la Commercialisation, et plus précisément en ce qui concerne les salles de dégustation et d'échantillonnage.
- d. La NWCA devrait mettre en place une équipe chargée d'examiner les actifs et les obligations de la NWCA, de rechercher les moyens d'éliminer toutes les dettes, de sauver les acquis qui pourraient en réalité être superflus. Elle pourra ainsi améliorer la transparence dans le système de comptabilité.

I. INTRODUCTION

A. Background and Geo-Political/Economic Environment

Cameroon experienced over a decade of rapid and steady economic growth from 1972 to 1986, before internal and external factors such as poor management, inefficient and heavy bureaucracy, and waste of resources; a fall in world coffee, cocoa and oil prices; and a general global recession arrested its economic progress. The economic advancement experienced by Cameroon during that period was led by growth in the agricultural sector and an increase in oil exports. The agricultural sector contributed up to 58 percent of the GDP before 1978 which fell to 30 percent after the export boom.

This sector currently contributes 24 percent of the GDP and 27 percent of export revenue. It also employs about 70 percent of the active labor force. The decline in the two main export crops in 1986, accompanied by the fall in the price of oil, brought considerable financial hardship to the Cameroonian people, which subsequently resulted in severe political and social instability. This financial crisis also resulted in serious under-funding of many state institutions. The GRC, in an effort to reverse the trend of its ailing economy, sought the assistance of aid donors such as the World Bank, the European Economic Community and the United States Agency for International Development (USAID).

USAID which has nearly thirty years of development experience in Cameroon and an excellent relationship with the GRC, recommended policy reform measures as the best means of restructuring the economy. The liberalization of agricultural commodities was considered as a priority area. USAID subsequently initiated a program with the GRC to reform its market for agricultural products.

The purpose of this USAID Program of Reform in the Agricultural Marketing Sector, Phase I, (PRAMS I) is to promote, without undue social costs, the introduction of private and competitive market forces at all levels of the arabica marketing channel. The North West Cooperative Association (NWCA) was the first institution which would be restructured under this project. PRAMS I came into operation in 1991. A mid-term evaluation was scheduled during the second year of operation. The Mitchell Group (TMG) was selected to do the evaluation. The evaluation team was composed of an institutional analyst, an agricultural economist and a coffee marketing specialist. The scope of work is provided in Annex 1.

The following sections provide the socio-economic and political environment and backdrop within which PRAMS I was implemented.

1. Social Environment

Cameroon's current social organization, political and economic direction are continually influenced by its ethnic and religious diversity, its history of colonization and its geography. These factors weigh heavily on the success or failure of any planned venture in Cameroon, and must be considered in detail when planning a project.

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a. Cultural Diversity

Cameroon has a population of 12 million inhabitants, composed of more than 200 ethnic groups. The ethnic composition is 30 percent Bamileke, 7 percent Fulbe, and the remaining 63 percent is made up of 200 other small ethnic groups. The country's cultural diversity has sometimes caused considerable social and political tensions. For instance, in 1991, and for the first half of 1992, Moslem crowds demonstrated in Yaounde to protest the decline in the Islamic influence since the departure of former President Ahmadu Ahidjo (Political Risk Services). The Bamileke ethnic group which has a strong economic and financial base has been critical of the government's policies even when they have been well represented in the senior ranks of government.

Islamic feudal traditions in the north and northwest contrast sharply with the predominance of Roman Catholicism and evangelical Christianity in the south. These, in turn, are incompatible with ancient ethnic traditions of government, culture, and religion. Roman Catholics represent 35 percent of the population, while the traditional, moslem, and protestant make up 25, 22, and 18 percent of the population, respectively.

Cameroon inherited two languages from colonialism. The French-speaking majority is found in the eastern section, while the English-speaking minority inhabits the west and northwest regions. This bilingual legacy affects business procedures, education, law, and political organization. It also increases the costs in administration and banking since most documents must be printed in both languages. Language differences also serve as a rallying point for political activists, particularly English-speakers who feel that in spite of their economic contribution to the nation they are not well represented in the government. It is also felt that the public facilities are unevenly distributed.

The North West Province: The North West Province lies between latitude 5.20 n and 7.0 n in the northern part of a volcanic range that extends north-eastward from the coast for 800 km. The land area of the province is approximately 18,000 km, and sub-divided into five administrative divisions: Mezam, Bui, Momo, Mechum, and Donga-Mantung. The area is one of the most densely populated areas of Cameroon, second only to the Western province. The average density in 1986 was estimated at 70 inhabitants/km sq. Bamenda, with a population of 44,000 and Kumbo, with a population of 25,000, are the largest urban centers.

The active population is about 40 percent of the 1.2 million inhabitants. The 1976 growth rate was estimated at 2.0 percent. The people of the province are a diverse group of ethnic groups, but mainly of the Tikar and Bamoun. There are about twenty-three major ethnic groups in the area, but linguistic and cultural characteristics do not prevent them from coming together for economic ventures, though strong ethnic awareness was pervasive during the 1970's, (Nelson et al. 1974). Most of the population is engaged in crop farming on surface areas not more than 1.6 ha.

b. Agricultural Diversity

Agricultural productivity differences and geographical isolation of certain areas result in social tensions. It is felt that development projects in certain sections of the country are needed immediately to make up for past neglect. Land tenure in most of the province is traditionally based on the concept of tribal or clan ownership in which the chief or the fons has title to all the land. In 1974 the government purported to abolish customary land tenure (Ngwasiri, 1991). In spite of the introduction of a comprehensive land registration in Cameroon in 1976, the vast majority of land remains under the traditional system of land tenure. This places a constrain on the large scale development of land and the use of land as collateral.

The North West province is broadly self-sufficient in food production. Women play an essential role in food production. The traditional division of economic activities between men and women is very distinct, women being almost entirely responsible for the growing of food crops for the household and for market while men grow cash crops (raffia, oil palms, coffee cocoa and cola). Both women and men form cooperative work groups which become very useful at critical times during the growing season.

Nutritional habits vary in the provinces. Maize is the staple crop and form the base of the local diet. Plantains, yams, sweet potatoes are consumed in large quantities. Beans, ground nuts and dark leafy vegetables are important sources of protein. A study conducted in 1984 showed that less 1.0 percent of children in the province suffered from acute malnutrition, but 30 percent were chronically undernourished.

c. Political and Power Structures

The Cameroon People's Democratic Movement (RDPC) is the leading political party since independence. The ruling party has, however, had mounting opposition from other political groups such as the Social Democratic Front, and the National Union for Democracy (UNDP). Political differences and opposition from political, religious and ethnic sources have resulted in great political risks to the ruling party and have forced its leaders to adopt economic measures that are less than optimal. Drastic economic steps which would improve Cameroon's international, financial position have been shelved for less stringent reforms that are perceived to result in greater political stability.

2. Financial Environment

a. Current Financial Situation

A decline in Cameroon's economy from 1986/1987 has posed severe fiscal and almost total financial ruin for the government and its people. Though the country has enjoyed a positive trade balance since the 1980's its interest on long term debts has resulted in negative current account balances during the same period. Although prudent borrowing has allowed

Cameroon to avoid high external debt, high levels of domestic borrowing and cross-debt among governmental and quasi-governmental entities have combined to bring about a major liquidity crisis in the financial sector and the near collapse of the banking system. The formal banking sector is currently in an extremely weak and precarious position. In recent years there have been failures, closures and forced consolidation of major financial institutions (CamBank; BIAO; SGB). This has resulted in substantial cost to the GRC. Reasons for the poor banking system are given in Ariza-Ninno, 1992.

The rapid deterioration in the country's financial situation was caused by poor financial management, and the fall in government revenue from the industrial as well as the agricultural sectors.

b. Sources of Revenue

The GRC derives part of its revenue from oil tax receipts and part from royalties. According to the World Bank, oil revenue accounted for 33 percent of total receipts during the period, 1986/87 to 1989/1990. This share began a decline during those years and the years following. Table 1 shows that the percentage contribution from petroleum has fallen since the mid 1980's. During the period 1986/1987-1989/1990, approximately 19 percent of all government receipts came from taxes on goods and services, mainly a tax on locally produced goods and a turnover tax. This tax has a negative effect on local business development over the past years.

According to Tambi et al. 1992, high taxes present the most negative effect on business performance. A survey conducted by this group showed that 66 percent of the respondents thought that government taxes were recessive.

Agriculture which contributes over 70 percent of Cameroon's GDP and employs about 75 percent of the labor force has also experienced a decline over the past decade. The revenues coming from cocoa and coffee, the two main export crops of Cameroon, have fallen drastically from 1986/87 to the present. The external debt now stands at \$5 billion.

The internal debts are estimated to be about \$4 billion. Outstanding debts increased at a rate of 7.0 percent per year from 1986/1987 to 1991/1992 and debt services due increased from 52 billion FCFA during this same period. The debt service ratio is presently 28 percent. The country has been unable to meet its payments (principal and interests) on debts resulting in regular rescheduling of debts in the Paris Club meetings.

c. Climate for Business

The government has made several efforts at improving the climate for business. Both domestic and foreign investors have been encouraged to invest in the private sector. Some of the major attempts toward achieving this goal include the drive towards a free market system and the creation of a Free Trade Zone. The government has also simplified the process for

obtaining new business permits. The foreign investment law adopted in 1990 has been criticized for being biased towards French investors since existing international agreements and contracts are in French.

3. Economic Environment

a. Macroeconomic Performance

Cameroon's economy grew at a remarkable pace from independence in 1961 to 1986/1987. The country experienced an 8 percent growth rate during this period resulting in this country being classified as a middle-income country by international financial organizations.

From 1987 to the present a number of internal and external occurrences have combined to disrupt economic growth. Many observers associate inefficiency, corruption, a fall in productivity and surplus government labor force as the main internal causes for the decline economic activity. The external forces are a sagging global economy and a fall in the prices of oil and coffee and cocoa. These changes have resulted in negative real growth rate in spite of reduced government spending and a drop in inflation from 8.6 percent in 1988 to an estimated 2.0 percent in 1992. The real growth rate in 1988 was -8.6 percent, and -3.0 percent in 1992.

b. Structural Adjustment Program

This downturn in the economy forced government to adopt structural adjustment measures in 1986. The GRC-initiated reform measures were not successful in effecting change; therefore, it requested assistance from the international donors. In 1988, Cameroon signed a stand-by arrangement with the IMF and in June 1989 a structural Adjustment Loan (SAL). The Structural Adjustment Program (SAP) is supported by a World Bank Loan approved in July 1989.

The loan amount is for \$150 million to be disbursed in three tranches. The SAL was also preceded by an 18-month stand-by arrangement with the IMF, equivalent to SDR 69.5 million and a purchase of SDR 46.4 million under the compensatory financing facility (Ntangi).

The SAL of 1989, according to the World Bank was based on internal adjustment and focused on liberalization of trade, prices, and export marketing, reduction of external protection, public sector and parastatal reform rationalization and restrictions off public sector expenditures; revision of labor investment, cooperative legislation; and reform of the civil service (World bank Internal document, 1992).

The SAP has been supported by other donors, notably the African Development Bank (ADB), the French through the Caisse Central de Cooperation Economique, the European

Economic Community (EEC) and the United States Agency for International Development (USAID).

According to the World Bank only modest progress was achieved under the internal SAP. Steps were taken to liberalized the market for certain export crops; some quantitative restrictions on trade as well as prices and margin controls were lifted; public sector and parastatal reform were initiated; the investment code revised and a new labor code adopted to enhance economic efficiency. Changes have been made in the banking structure and recently a new cooperative law was enacted. The GRC has received two of the three loan tranches, but the third has been held back until sufficient progress is made in fiscal, institutional and legislative reform.

c. Agricultural Contribution

The agricultural sector has been the backbone of Cameroon's economy. Before 1978 agriculture contributed 58% of GDP. The increase in oil exports after 1978 saw agricultural contribution to the economy falling to 22%. Besides producing most of the food consumed in the nation the agricultural sector also employs about 75 percent of the labor force. Though cyclical food shortages are experienced in the extreme Northern Region, the country is nearly self-sufficient in food production. The country also supplies grains and livestock to neighboring countries of Nigeria, Chad, and Gabon. This sector has also been responsible for two of Cameroon's leading exports, cocoa and coffee. These two crops have been responsible for 24 to 25 percent of all agricultural exports.

Agricultural development was based on the exports of cocoa and coffee. In fact, revenues derived from these crops were used to fund other sectors when the prices of these two crops were high. During the period 1978 to 1985 the prices of coffee and cocoa reached an all time high. The world price of this crop was 1,650 FCFA per kg. The farmers received only a small portion of these funds. The bulk of the funds went to finance government marketing boards and parastatals.

The North West province: In 1973 agriculture provided 65 percent of the gross domestic product for the province and the province accounted for over 18 percent of the agricultural production of Cameroon, and made an important contribution to both food crop production and industrial export crops. Since that period, coffee crop production in the province has decreased. Though there is some evidence that the quantity of food crops has increased, there is no concrete statistical information to confirm this. The level of unemployment is higher in the North West province than other provinces and is greater than 10 percent. Several figures of per capita annual income are documented but they are not always in agreement.

B. Evaluation Approach and Methodology

1. The Institutional Analysis and Design Framework

The team used as its approach to this evaluation the Institutional Analysis and Design Framework (IADF) which was developed at Indiana University's Workshop in Political Theory and Policy Analysis.

The IADF approach requires an assessment of the institutional environment at the governance, intermediate, and operational levels of institutional activity. The team reviewed the literature on the IADF methodology and had several meetings with Dr. Ronald Oakerson, one of the methodology's authors and a key member of the original PRAMS I design team.

2. The Data Collection and Analysis Methodology

a. Background literature

The team reviewed the extensive documentation that exists at AID/W and USAID/Yaounde on the policy reform movement in Cameroon. The team reviewed documentation at USAID, ISTI's technical assistance team's office, and at NWCA's headquarters at Bamenda on PRAMS evolution and current status.

b. Interviews and Group Discussions

The team, often accompanied by a GRC representative from APCC, visited and interviewed several officials at GRC Ministries, USAID, long-term and short-term technical advisors with ISTI and ARD, officials at the various tiers of NWCA, cooperatives in other regions, and several other entities which come into play in PRAMS I. See Annex 2 for a complete list of individuals contacted.

c. Field Visits

Field trips were made to the project area, UCCAO, small farms, large plantations, processing plants, unions, societies, brokers, banks, and other sources which could contribute information relating to PRAMS I.

II. PRAMS I: DESIGN, IMPLEMENTATION AND ACCOMPLISHMENTS

A. Policy Reform Conditionalities

Policy reform was initiated by GRC after the economy had experienced several set backs. International donor assistance was solicited after the GRC measures failed. The GRC and USAID embarked on a program to reform the agricultural marketing sector. PRAMS I was initiated with the objective of liberalizing the internal and external marketing of arabica coffee by removing marketing impediments and pricing constraints in the arabica sub-sector, and to strengthening the capacity of the NWCA in the medium term to be competitive in the marketing of arabica coffee.

Although USAID only ranks number seven on the list of donors to GRC it perhaps enjoys the number one place in discussion of policy reform. This is due in large part to the great success realized in the USAID-supported fertilizer subsector reform program.

Starting in mid-1989, two major driving forces for GRC policy reform initiatives have been World Bank with its Structural Adjustment Loans (SAL) and USAID's Sector Cash Grants. The specific goal, purpose, objectives and expected outputs related to conditionalities that guided this policy reform effort are provided below:

1. Goal

The goal of the program is to promote, without undue social costs, the introduction of private competitive market forces at all levels of the arabica coffee marketing chain. PRAMS I is part of a long-term effort to assist the GRC in its efforts to increase the efficiency of Cameroon's agriculture input and output markets through structural adjustments. Specifically, PRAMS I is supporting liberalization and privatization of internal and external markets for arabica coffee in the North West and West provinces.

2. Purpose

The purpose of PRAMS I is to develop a free market system with few impediments in the transference of goods and services. This will increase marketing efficiency and thus the quantity and quality of arabica coffee marketed, the farm gate price received and finally farmers and society's welfare. This implies that farmers will receive a larger share of world market prices of arabica coffee.

3. Objectives

- a. remove marketing impediments and pricing constraints in the arabica coffee subsector;

- b. strengthen NWCAs capacity to compete with other cooperatives and private operators; and
- c. establish an overall institutional environment for more autonomous and accountable marketing cooperatives.

4. Expected Outputs

PRAMS I is focused on the liberalization of the arabica coffee market. The policy reform component is intended to liberalize and privatize the internal and external marketing of arabica coffee. The process of market liberalization involved a pricing policy reform, the restructuring of the market and the reform of the cooperative Law.

The support of PRAMS I is tied to GRC satisfaction of conditions precedent as specified in the Grant Agreement. The success of PRAMS I hinges on the GRC meeting these conditions precedent. These conditions are specified in the ProAg and their satisfaction forms part of the output.

a. Pricing Policy: Prices Set By Cooperatives

As a replacement for the system of multi-year stabilization, and price determination by the government, prices had to be determined by competitive market forces. There is some misunderstanding with this part of the agreement. Some government, and NWCA officials interviewed felt that this condition has been met and that the market is fully liberalized. USAID officials and members of the ISTI team felt that there has been some confusion with recent government announcement of a minimum price for the 1992-1993 season.

NWCA, UCCAO and COOPAGRO proposed separate producer prices for the 1992-1993 campaign in a liberalized market. This was announced as a minimum producer price of 200FCFA/kg for the entire campaign. In a free market system there is not supposed to be a floor price, and therefore, this is considered as price setting. Under the Program Grant Agreement producer prices should be free of any control, but based solely on processing costs and world market prices. The announcement of a minimum price this campaign is likely to help farmers, but it can impede "would-be" traders in the marketing system.

Cameroon coffee can be assumed to be worth about US \$1.00 per kg, (about 270 FCFA/kg). The government debated minimum price (based on an agreement between the NWCA and the UCCAO) was 200FCFA/kg. It means that farmers will receive more than 74 percent of the FOB value. This may result in a loss for NWCA unless it reduces its marketing cost to less than 50 FCFA/kg. Its 1991-1992 cost was estimated at 197 FCFA/kg. The government further argues that there was no way of informing farmers of the on-going market price. The absence of a price information system was recognized late in the program by USAID, and recommendations were made for the installation of an arabica market information system (AMIS). This will be discussed at the end of this section.

b. Graduated Tax Structure

The second condition precedent related to pricing policy was "the removal of any taxes that would affect costs, and hence the price of coffee."

In July 1991 the signing of the Decree No. 91/313 abolished the export tax levy. It was stated in the ProAg that a graduated tax structure would be in place for the first disbursement.

This graduated tax structure would be tied to world market prices which provide economic operators with incentives to produce more and higher quality output. This conditionality was difficult to comply with because at the time of project design the complexity of developing a graduated tax structure was not thoroughly considered. USAID has, therefore, suggested that the condition precedent be amended in order to take into account the new tax situation.

In order to respect the spirit of the original CP, and to avoid impeding the reform progress, USAID/Cameroon proposed to substitute the following new CP for the original "the grantee has created and convened an interministerial committee with a mandate to review, to consider, and to make recommendations regarding the taxation of arabica coffee export". A committee is being set up to examine the feasibility of a graduated tax structure. This has been agreed upon both by USAID/Cameroon and the GRC.

c. The Arabica Marketing Information System (AMIS)

Total trade liberalization could not take place unless there was free access to information concerning price, product and market conditions. An arabica marketing information system would inform producers of the world market prices and this would place them in a better bargaining position vis-a-vis their buyers. This will help them negotiate an acceptable price for their produce. USAID in collaboration with the GRC decided to put an Arabica Marketing Information System (AMIS) in place. The description and mode of implementation was just completed by Dr. Tollins a consultant, hired by USAID. The first Phase of the program is well supported by the GRC. When operational, AMIS will supply weekly market information to producers and traders. The FOB Douala prices will be announced. The timely announcement of prices will help speed up the process of market liberalization.

5. Marketing Liberalization

a. Stabilization Fund

One of the condition precedent was that the arabica marketing system in the North West and West provinces is operating without a governmental decree, or managed stabilization fund.

Since the abolition of the NPMB in July 1991, there has been no government stabilization fund for arabica coffee. This was achieved by the signing of Decree No.91/313 on July 5, 1991.

b. Elimination of Monopoly Power

Market liberalization implies that there is free entrance and exit of firms into the industry. With the liberalization of the arabica coffee market, the cooperatives were given monopoly power as the sole authorized buyers of arabica coffee in the North West. The creation of the monopoly was part of meeting the condition precedent for the disbursement of the first tranche. The condition precedent was met. The monopoly was to continue until the end of 1993, when the government was supposed to announced free competition. The GRC announced the end of monopoly conditions in February 1993. This allows cooperatives and farmers to sell coffee to any willing and able buyer. This would have been considered smuggling in the past, but not today.

c. The Right to Export and Quota Assignment

Another condition precedent was that "producers, traders, and processors are able to sell to foreign buyers."

The end of the monopoly announcement has allowed free entrance and exit of cooperatives into the market. The NWCA, UCCAO and COPAGRO continue to sell to foreign buyers. The GRC has outlined procedures for application of permits to become a free trader. This can be obtained at MINDIC. A number of traders have applied for permits, but have been unable to participate in the marketing of coffee because of credit unavailability. Under this condition was specified that coffee exporters would be guaranteed full and timely access to the world markets if the International Coffee Agreement is renewed. The International Coffee Agreement has not been in effect since 1989.

d. The Implementation of Direct Selling

The NWCA began selling its coffee directly during the 1991/1992 crop season. Information of how successful a venture it was, is mixed.

One will have to wait until the 1993/1994 crop season to determine whether the NWCA can operate successfully as a marketing unit since the marketing manager is still under training. Following the original trip to Europe, two brokers were selected, DOUGE in Amsterdam and ECA in Hamberg. The 1991/1992 crop was marketed through the brokers who acted either as brokers or as principals. This was done against a commission of 5 FCFA/kg. The commission should not have been given when they acted as principal, but this was done. As of October 1992, following a visit by Germany's ROTHFOSS's buyer, that company started buying directly. Other buyers include the UNIDAF of France, and Switzerland's WALTER MATTER. As direct buyers became more numerous, utilization of brokers was abandoned.

Up until March 1993, the documentation relative to shipments, contracts, registration with ONCC, loading orders to unions, invoices, etc., as well as the shipments themselves, were subcontracted to UCCAO. This is not the case anymore. The marketing department processes its own papers. It has also retained the services of three shipping agents to do their shipping.

c. The Logistics

Sales are now conducted mostly by offers coming from the marketing division which are sent by FAX. The only fax machine is in the director's office which is not centrally located for business purposes. It is however, hoped that the marketing department will have greater access to this means of communications once they are installed in their new building. There has been in the past some communication problems. As an example, during the absence of the marketing staff, the General Manager acknowledged selling a rush order of coffee. He failed to later notify the department due to other pressing duties and there was a lengthy time lapse before this matter was corrected with the department. This was due in part to the weakness in the structure of marketing. It is hoped with the improvements taking place in this department, future sales will be undertaken solely by this department.

f. Performance and Results

For the 1991-1992 campaign, NWCA sold 4356 tons under 55 contracts. For the 1992-1993 campaign, 1600 tons have been sold so far. The range of buyers is widening. Prices received thus far are in line with international market prices for this quality coffee. Prices are related to the C Contract of the CSCE in New York. On average, grades A and B have been sold on an FOB-Douala basis at 12 to 14 cents under New York prices. These are competitive prices, considering the circumstances. Grades D and F are at a substantial discount price. Also the choice of NWCA brokers in 1991 was judicious and was conducive to business transactions with limited problems.

6. Impact of Cooperative Law Reform

The GRC issued the Cooperative Law Implementing Decree in November 1992 which details the more liberal provisions of cooperative Law. The cooperative Law is a significant step towards the liberalization and privatization of cooperatives in Cameroon. This means that the role of the GRC in the management and control of cooperative has been eliminated. The Law has been in force, but has not been disseminated. There are provisions in the laws for cooperative societies and Unions to recuperate funds owed to them by members. The Cooperative Law is yet to be diffused to all societies and Unions. Dissemination efforts are planned jointly by NWCA, ILO and MINAGRI with USAID funding.

While some argue that the Law will play a major role in liberalizing the coffee and cacao markets, others claim that the reform will have very little impact on NWCA since the coops are still obliged to sell to the unions because NWCA is still indebted to the CMPS. It is claimed that there can be no market liberalization until debts are cleared. The cooperative

reform Law prohibits the movement of individuals from a cooperative unless all contractual obligations are met. The Cooperative Law, it is agreed, will have negative effects on the Apex of NWCA since the Apex and unions have had very little time to make adjustments in order that farmers pay their debts to the Apex.

The UCCAO management was equally concerned of the rapid implementation of the law without regard for the likely negative impacts of this Law on the unions. The management thought that most farmers who have taken inputs on credit, and who feel that the Law permits them to sell to whoever they choose, will not be willing to pay off their debts unless pressured. There is no way these debts can be collected other than if the willing farmers decide to own up.

Both the NWCA and the UCCAO management felt, however, that the Law would help increase efficiency in the marketing system. The farmers and union leaders, who were informally interviewed, thought that the cooperative law would help the farmers in the long-run since it would increase market flexibility and reduce liquidity problems immediately after harvest since they can sell their product to the first willing and able buyer.

7. Outstanding Conditions Precedent

To the credit and collaborative effort of the GRC and AID, virtually all conditions precedent will have been achieved if a modification to the Graduated Tax structure, calling for a committee to study the tax, is finalized.

a. Impact on Intended Beneficiary

The intended beneficiaries of PRAMS policy reform are the 180,000 small holder farmers in the North West and West provinces. They will benefit from the payment of arrears owed by NPMB and the receipt of a higher percentage of the world market price. The farmers have yet to receive all the arrears owed to them. The problem is how will the free market affect their incomes? The farmers will be operating in a free market and they will be confronting not only domestic suppliers, but all producers, domestic and international, of the same quality coffee. Their only tools for survival will be a higher quality good, more efficiently produced. The farmers in the North West province are said to have the best climatic conditions for producing a very high quality produce. At present world market forces are operating against them.

It is expected in the long-run that they will benefit from higher prices and market alternatives. The macroeconomic crunch is likely to force farmers to allocate resources away from coffee, and more towards non-tradables unless some macroeconomic measures are taken that would lower the exchange rate and slow down the falling terms of trade.

b. Impact on Macro Policy Environment

The specific conditions precedent for enforcing policy reform were important instruments in getting the required changes in a given amount of time. As to how much the conditions precedent have helped disciplined the GRC in making timely decisions is not known. In a number of cases it was more confrontational than smooth acceptance of a bitter pill.

The policy reform, like all other drastic economic measures will have austerity effects in the short-run. The immediate effects of a cut in salaries is difficult for families who are living on the margin. However, a reduction of the number of GRC's employees could have serious political implications. There is no way this could be carried out without one group not feeling targeted, given the ethnic, religious and cultural diversity of this country.

The anticipated long-run effects of this policy reform measures are a stronger economy, and an encouragement for the adoption of more painful, but beneficial policy changes. The political and macroeconomic environment under which these measures are carried out were not ideal. These policy reform measures are curative rather than preventive in most cases. They are recommended at a time when the economy is experiencing negative real growth rates and rising unemployment. Some of these policy measures have associated social costs. During the past years when the price of coffee was high the farmer received a fixed minimum price and in some cases, he was never paid. Now that the ICO is non-existent and the world market price is less than the average cost of production; the farmer is being told that he is free to bargain on the market, and even at a price lower than the average variable cost, and this will be for his own good in the long-run.

8. GRC's Role and Contributions towards PRAMS I's Success

GRC agreed to several conditions precedent to bring about reform sought in PRAMS I. Despite austere times and occasionally high social costs, the GRC has performed reasonably well given political "foot-dragging" it must have been faced with at times. The GRC role included the facilitation of the policy reform changes, even if it meant severe political and social risks. The GRC was responsible for certain administrative responsibilities in order to ensure the initiation of the project. The GRC role was important for adoption of the various reform measures.

9. Role of AID, Other Donors in Project Implementation

AID provided the funding and the technical assistance to PRAMS I. AID also fostered the policy dialogue with the GRC and other donors. Other donors participated and gave support to the program. These donors included the EEC through the EDF. The EDF was working with NWCA before the implementation of the PRAMS I.

III. PRAMS I PROJECT COMPONENT: RESTRUCTURING NWCA

A. Objectives

The restructuring of the NWCA is intended to create institutional arrangements within the cooperative structure designed to enhance its accountability and responsiveness to farmers.

B. Strategies

In general the reform is directed to changes in governance of the cooperative structure while changes are made in management. Technical assistance is provided to NWCA and its affiliated cooperative unions and societies in order to strengthen their capacity to compete in a liberalized market environment. Financial support is provided to facilitate this structural changes.

C. NWCA's Standing Against Indigenous Competition

1. NWCA versus other Cameroonian Arabica Exporters

Aside from NWCA, there are two other arabica exporters in the country, UCCAO and COOPAGRO. UCCAO which is located in Bafoussam, in the Western Province, has always had the leading role in the production and sale of Cameroonian arabicas. Even at the time of the ONCPB monopoly, UCCAO managed, for obscure and unpublished reasons, to sell (arabica only, robustas were sold by ONCPB) outside of ONCPB.

UCCAO increased its reserves tremendously during the period, 1972 to 1988 because the government's fixed price was 475 FCFA/kg, even when world prices were as high as 1650 FCFA/kg. The reserves that ONCPB collected during the same period were wasted. ONCPB then was unable to meet its debt and went bankrupt. UCCAO is a union of 6 cooperatives which maintains a light structured apex. There is one level less than NWCA. Its cost of marketing is, therefore, less than that of NWCA. The cost for four stages is 77 FCFA, compared to 102 FCFA for NWCA.

2. Overhead and Structural Costs

The NWCA has attempted to restructure in order to reduce costs and become more competitive. There has been only one significant attempt by the NWCA to reduce its operating cost. The attempt has been in the form of reducing the number of employees. The 11 unions, for instance, decided to lay off 166 staff members. The present number of NWCA employees (31) far exceeds the recommended (20-25) by the management consultant in February, 1993. Also related to the restructuring is the simplification of the accounting system so that it can become more transparent. There has been some progress made in this area.

Up to 1992, NWCA's structural costs were determined arbitrarily based upon some costs which were considered incompressible. The cost details are from the first PIA's, found in Annex 3. The structural cost proposed for this year is 197 FCFA per kg. A new cost structure is proposed which is based on the various amounts allocated at the various levels:

Table 1: NWCA's Proposed Structural Costs

| | |
|---------------------|---------|
| CFMS | 13 FCFA |
| UNION | 60 " |
| APEX | 23 " |
| TRANSPORT to DOUALA | 6 " |
| PORT CHARGES | 43 " |

This still represents a very large margin of difference, if this figure is compared to UCCAO cost of 77 FCFA/kg for the equivalent of the first four levels. This new cost structure was calculated based on estimated sales of 3000 tons for the season. It is now known that sales will be less than 2000 tons.

The general manager has announced a more detailed analysis as applied in the majority of the 51 registered ICO exporting member countries. This formula should reduce the price to 81 FCFA per kg. This is very essential for the coffee operation to be profitable.

Production this season has been estimated at 7800 tons of arabica. An additional 500 to 700 tons were bought from the North West Province. UCCAO is able to lure customers away from NWCA because it purchases early and it pays a bonus. UCCAO has been subsidizing inputs to its producers. These subsidies help farmers to increase production. Given the present price of coffee, farmers are unwilling to use modern inputs unless the inputs are subsidized.

3. Processing

After harvest the coffee is processed on the farm. The process involves depulping, fermentation, washing and drying. The coffee is then transported to the unions where it is dehulled, cleaned, classified and conditioned.

Processing at the Farm Level: Each farmer processes his own coffee. Because of the smallness of the quantities harvested at any one time, harvesting is delayed until a large quantity of coffee is ready for harvest. Harvested cherries are usually stored in bags in rooms where the temperature is conducive for rapid fermentation. Fermentation for an extended period of time results in bean deterioration, and this give rise to the problem of "stinker bean".

When depulping finally occurs, the pre-fermentation facilitates the pulp removal of even green, immature cherries which are included in the harvest either by default or intentionally. These unripe cherries are included in the lot. This results in a lower quality coffee. There is also a problem of inadequate clean water for washing at the farm level. A feasibility study for a central washing station is yet to be conducted. Fermentation and drying seem to be satisfactorily done based on the discussions with some of the farmers.

The absence of a cupping laboratory prevented the consultant from field testing samples. The smell of the beans evaluated did not seem to have any fermented odor. Fermented produce should not be accepted for depulping. Given the limited facilities at the union level, all coffee is transported to the union and mixed. Attempts to remove suspected beans at this stage increases the processing cost. Drying is usually done on the bear ground. Concrete slabs are present at the society level, but not always at the farm level. The drying of the coffee on the ground gives it an earthy flavor which is not very desirable by consumers of coffee. Farmers with very small quantities should be encouraged to use a drying tray.

Processing at the Union Level: Each of the unions, but the Kom, owns and operates one processing coffee mill. The Kom union operates two mills. The mills are more or less centrally located. The location of mills are based on accessibility. They are fairly standard since equipment is made by Kaack in Germany. The age of the mills ranges from three to 15 years. Most of the mills are in good working condition, with the exception of the one at the Bali union which is considered to be in poor condition by the ISTI technician. Each mill's processing capacity is estimated at 1000 tons per season. There is one exception, the NSO union mill, which has three lines and can process up to 3000 tons per season. The mills were handed down to the unions. The unions had no hand in their purchase and do not regard the excess capacity as a problem. Each mill is equipped with a pre-cleaner, a huller, a polisher, a catedor and a grader. The capacity of the mills is greatly under-utilized. The 1992 level of utilization is seen in the following table.

See Table 2 on the following page for data on Union capacity and utilization.

Table 2: Union Capacity, Utilization and Percentage capacity Utilized During the 1991/1992 Production Season.

| Union | Capacity (Tons) | Utilization (Tons) | Percentage |
|------------------------|-----------------|--------------------|------------|
| NDOP | 1000 | 49 | 5 |
| OKU-NONI | 1000 | 273 | 27 |
| NSO | 3000 | 343 | 11 |
| NKAME | 1000 | 260 | 26 |
| PIYIN | 1000 | 30 | 3 |
| SANTA | 1000 | 273 | 27 |
| MBENGWI | 1000 | 45 | 5 |
| BALI | 1000 | 41 | 4 |
| MOGHOMO | 1000 | 52 | 5 |
| KOM BELO & NJINIKOM | 2000 | 569 | 28 |
| CENTRAL | 1000 | 71 | 7 |
| TOTAL | 14000 | 2011 | 14 |

Source: NWCA, Bamenda, 1992

Note: It is interesting to note that with the exception of Santa (which is described in the SOCA study as the union with the greatest potential for high quality coffee), the mills with the highest utilization rate are distant to the Western Province frontier.

Grading: After the coffee is hulled and polished, it is classed in grades from A to F, where "A" is the highest quality and "F" the lowest. The figures in table 3 show that NWCA produces 12-14 percent of grade A and a fairly large percentage of grade F. A fairly large proportion of the NWCA grades are in the "B" classification. It is seen in the table that UCCAO Produces almost twice the amount of grade "A" coffee as NWCA cooperatives and fewer grade "F". The following Table of Coffee Grades by NWCA and UCCAO is for the 1991/1992 Production Season.

Table 3: Coffee Grades at NWCA/UCCAO

| Grade | NWCA (%) | UCCAO (%) |
|-------|----------|-----------|
| A | 12-14 | 23-30 |
| B | 34-38 | 27-31 |
| C | 8-10 | 15-18 |
| D | 22-26 | 19-23 |
| F | 16-20 | 9-10 |

Source: NWCA, Bamenda and UCCAO, Bafoussam, 1993.

Storage: There is no specific data or complaint about stocking of processed coffee by the unions. Coffee when stocked under poor conditions pick up moisture in a very short time. The coffee can also pick up the flavors from unwanted aromas in the surrounding area. During the field trips the consultants witnessed at the union level coffee stocked under less than desirable conditions. It was difficult to tell how long the coffee was stocked under these conditions. The assets transferred from ONCPB to NWCA include substantial warehousing facilities which can be used to alleviate the present storage problems existing at the union level.

Quality: The Northwest has the potential of producing very high quality arabica coffee. The altitude climate and rainfall are ideal for high quality arabica. The coffee presently produced is mainly the Java type with some Jamaica variety carried over from the days of colonization. The Java is very productive, rust-resistant and less susceptible to anthracnose.

Up to 1987, especially during the periods of exceptionally high prices, fertilizers were heavily applied to fields. At that period the beans were more uniform and there were fewer problems of stinker bean. Because of the rapid fall in prices from 1986/1987, quality has deteriorated rapidly. Farmers take less care of the fields and apply less modern inputs.

Prior to 1991, the marketing of NWCA coffee was done by the ONCPB and the records on quality are sparse. Quality in the UCCAO area show a marked decrease in quality. The same phenomenon can be assumed for the NWCA area. ONCPB and ONCC record show the quality of coffee exported.

The table below reflects data regarding the quality of coffee marketed for a two year period.

Table 3: Coffee Quality Sold by the ONCPB and UCCAO 1989 to 1991

| Quality | 1989 (%) | 1991 (%) |
|-------------------|-----------|-----------|
| Prima & Extra | 0.5- 2.5 | 0.5 |
| Superior | 68.0-80.0 | 69-54.0 |
| Ordinary | 3.0-10.0 | 10-18.0 |
| Limit & inferior | 9.0-11.0 | 10-14.0 |
| Triage and broken | 6.0-10.0 | about 5.0 |

Source: MINDIC, SOCA study, 1993.

According to Green Coffee Association of New York defect chart, the average number of defects per sample is above 80, which makes the coffee untenderable and puts it on par with that of Peru which does not have a good reputation on the international market. Only 16 % of the coffee samples carried to the mills can be considered as "Good". The main defects is due to an uneven color, a red pigmentation which is a sign of late depulping.

A large portion of the samples contain stinker beans (80% 1 or more, 50% between 2 and 10, 10% more than 50). Added to this, most of the samples from the societies contain in excess of 3 percent of foreign bodies, stones, sticks, loose parchment and other materials. The problem is the all coffee is sold at the same price: therefore, the farmer has no incentive to improve the quality of his coffee.

Processing of coffee follows the same procedure as is done at NWCA. Depulping is done on the farm. UCCAO discourages late depulping. Since the minimum 12 percent moisture is difficult to attain if there is over fermentation. The 12 percent moisture is strictly adhered to by UCCAO. High quality coffee is encouraged by the payment of a bonus. All plants are equipped with color sorters which are used to detect stinkers and defects. The plant capacity at the union level at UCCAO is 16,000 tons, but runs at 50 percent of capacity compared to 14 Percent at NWCA. In terms of efficiency and costs NWCA is unable to compete with UCCAO.

COOPAGRO, is located in Foubot, 30 km from Baffoussam. It is a union of 9 plantations, not cooperatives, which produces coffee on a very large scale. The surface area under production is about 700 hectares and production is about 400 tons annually. Yields are higher than that of UCCAO and NWCA. The marketing costs are just as high. COOPAGRO is unable to compete with NWCA or UCCAO because of the small quantity presently marketed. The quality for COOPAGRO is, however, superior. Both UCCAO and COOPAGRO have marketing departments that are well developed. The marketing department of UCCAO has thirteen employees, including a dynamic and experienced marketing manager.

The marketing information at UCCAO is computerized and manned by a trained economist-statistician who has ready access to market information. COOPAGRO is comprised of business men with a number of years of experience in the international coffee trade. NWCA market department, although it has made some progress in the past year, has a lot of work to do before it can be competitive at the international level.

D. Capacity of NWCA to Compete on the International Market

In examining NWCA's capacity to compete internationally, four factors must be evaluated: the product, price, finance, and place.

1. Product

The product quantity and quality must be examined carefully to determine whether NWCA has any competitive edge in the international market place. Arabica is produced by over 180,000 small farmers in the North West.

The average farm size is 1.6 ha. The average yield is estimated at 150 kg/ha. During a good year and assuming that all producers sell to their societies and to NWCA, this amounts to only 4000 tons. This must be sold at a price of at least 500 FCFA per kg for NWCA to break-even, given its present cost structure. Taking this year's price and estimated production levels, NWCA stands to lose 1254 bn FCFA. NWCA has lost money for three consecutive years (1989/1990, 1990/1991, and 1991/1992). It would have to trim its overhead and operating costs by 60% to break even, with this year's price and production levels.

The production cost structure is higher than that of most of its African competitors. An examination of the table shows that the cost per kg of Cameroonian coffee, produced on smaller farmers holdings is only equalled to that of Columbia. Cameroon is said to be burdened by high labor costs in comparison to other neighboring countries such as Rwanda and Kenya. Its labor cost, though much lower than Ivory Coast, Columbia and Brazil, has a yield per ha that is the lowest for the countries studied and this increases the cost per kg of coffee. The estimated yield is 200 kg/ha, but estimates as low as 150 kg/ha are mentioned in several documents. If the yield is taken as 150 kg/ha this raises the cost per kg to US\$2.67 which would make Cameroonian cost of producing coffee one of the highest in the world. Since in the study conducted it was assumed that there was no difference in coffee production, it means that the cost comparison is the same for NWCA. In this study the wage per man-day was estimated at US \$2.00 per day which is about the same as today's cost of labor.

See table on the following page which provides production and yield data.

Table 4: Production Costs, Yield and Average Price Index for Green Coffee for Selected Countries, 1982.

| Country | Costs (US\$/ha) | Total Yield (kg/ha) | Cost per kg coffee price (US\$/ha) | Average index |
|-------------|--------------------|------------------------|---|------------------|
| Brazil | 720 | 600 | 1.20 | 127 |
| Columbia | 1340 | 800 | 1.70 | 120 |
| Costa rica | 1320 | 1200 | 1.10 | 109 |
| Kenya | 770 | 600 | 1.30 | 127 |
| Rwanda | 820 | 700 | 1.20 | 91 |
| Ivory Coast | 260 | 300 | 0.90 | 98 |
| Cameroon | 340 | 200 | 1.70 | 89 |

Note: Only small holder production is considered here. It is assumed that costs and revenues increased by the same amounts from 1982 to 1993, and therefore, in a constant cost industry this would reflect the current situation.

Source: de Graaff, *The Economics of Coffee: Economics of Crops in Developing Countries* No. 1. Netherlands; Pudoc Wageningen 1986.

Cameroon arabica bean is mostly of "Java" origin. In the 50's the coffee had a very good reputation as a high altitude produced coffee. Cameroon climate is said to be ideal for arabica production. Thirty years ago it was compared to that of Kenya which enjoys a high reputation on the international market. Since 1970 Cameroon has been plagued by the "Stinker Bean" problem. This is a condition caused by over fermentation and is easily avoidable. The stinker is a result of the rotting of part of the bean. This, of course, is translated into lower price for Cameroon coffee. In the table above Cameroon has the lowest index of prices. The usage of Cameroon arabicas by overseas processors has varied greatly with time and according to destination. In the USA when it was imported in the 1970's it was used only as a filler. In France, Holland, Italy, and Germany it was used as a quality mild. Since production has diminished considerably, only Germany and Switzerland to some extent market Cameroon coffee.

With the exception of 2 or 3 European houses the market does not know the name NWCA. In the days of ONCPB, the name NWCA was mentioned as that of a skipper (real "local origin") of arabicas. There has been no good or bad name associated with the coffee; therefore, it has to develop its own name, something which will be difficult, given the number of entries in the high quality market.

2. Price

Cameroon is a price taker in the world coffee market. It exports less than 5.0% of the world coffee market. NWCA only supplies 22.0 percent of all arabica produced in Cameroon. Therefore, NWCA has very little effect on the international price. It is difficult for NWCA to use price as an instrument of competition since it is a price taker, its quality is poor, it has not established a name, that is the product is undifferentiated from other products in its class, and its cost is relatively higher than that of its competitors.

3. Finance

NWCA has inherited financial problems from its creation. It has lost money for three consecutive years of operations. NWCA's relationship with other financial institutions is not favorable at present. In order to compete one must have the finances to purchase the coffee at the end of harvest. During the past two NWCA has been selling coffee that it was unable to purchase on time. The small amount marketed in the past two years was attributed to the lateness in financing purchases of coffee. To compete on the international market, one must be able to pre-finance the marketing costs. This is especially true whether NWCA is able to pre-finance marketing costs. One costly expense involves advertisement. International promotion is costly and since NWCA is yet to break-even, it is doubtful whether is able at this time to assume additional costs. In view of these difficulties, the Crop Finance Revolving Fund (CFRF) was created by ISTI technical assistance as part of PRAMS I to assist NWCA with the prefinancing of coffee purchases. This was intended to serve as an interim to commercial credit financing. In December 1992, when it appeared that NWCA would first use the CFRF, the European Development Fund provided FCFA 500 million for the purpose of prefinancing the 1992-93 crop. This made the CFRF less urgent or desirable for that campaign.

May hold that the transition by NWCA to use commercial credit financing, to be backed by CFRF, is the true test for NWCA's survival. This will be revealed in the 1993-94 campaign.

4. Place

NWCA is located in the western section of the country. It has access to port facilities and transportation cost from the province is not prohibitive. The major trunk routes to Yaounde and Douala run from Bamenda southward through Bafoussam in neighboring Western Province. It is also linked by air to other major cities through airports situated outside Bamenda. The country is not land-locked and is able to compete favorable with its neighbors, Rwanda, Burundi, and Uganda in the European markets, if it improves on its quality and reduces its production and marketing costs.

The Marketing Department: The marketing department sends advance samples to potential clients, takes care of its own paperwork and seems to handle its sales responsibly. The performance is still modest and needs refinement. Two weak points were noticed, the absence of a cupping room and a sample room for each purchase. The department is now working to put in place this facility. Communications with the unions is not well developed for smooth and quick transactions.

The Transfer of Assets: Arrears payments were all made in January 1991, using PRAMS I and STABEX funds. Assets of the NPMB in the North West province outside of Bamenda have been transferred to NWCA in November, 1991.

On June 4th 1993 the remaining assets were transferred to NWCA. NWCA at the time of this evaluation were in the process of relocating to their new building.

IV. ADMINISTRATIVE AND TECHNICAL EFFECTIVENESS OF TA SUPPORT TO PRAMS I

A. Associates in Rural Development (ARD)

The inception of PRAMS I first appears in USAID/Cameroon's Country Development Strategy Statement (CDSS) for FY 1990-1994 where a plan for improving the understanding of the institutional requirements of successful policy reform was discussed. This was an elaborate framework to describe, among other things, how key institutional components must be modified to achieve competitive and efficient private markets.

The mission contacted the designers of the plan, which formed a team headed by ARD in collaboration with Indiana University and Syracuse University, to provide a series of seminars introducing the Institutional Analysis and Design Framework (IADF). This was a departure from the conventional logical framework. ARD, and most notably Dr. Ronald Oakerson, thus became dominant in the evolving PRAMS I.

ARD provided three different services that would span from PRAMS I inception to beyond the project assistance completion date. The earliest group, the assessors, laid the ground work for IADF and was involved to some extent with the design. The lead assessor has remained active under short-term technical assistance participating, in addition to IADF seminars and restructuring guidance, in annual and intra-annual assessments. A second group, short-term technical assistance consultants, provided services in variety of areas crucial to NWCA's new role. These areas included staff analysis, financial management, coffee processing, and coffee marketing.

The third group consists of researchers funded under PRAMS I. They will document the types of problems encountered during the policy-reform process and provide both guidance and analytical tools to future development-assistance agencies, embarking on policy reform work.

The lead assessor enjoys very high esteem through widespread promotion of the IADF concept. He displays a genuine interest and belief in the success of PRAMS I. He enjoys good rapport with virtually all of the players. His efforts in transforming PRAMS I concept into a reality is very noteworthy.

His introduction of IADF into PRAMS infrastructure, assisting in training PCV's for their role, coordinating some of the S/T TA, and the ongoing assessments have been a strong force in helping to keep PRAMS I on track.

The short-term consultants served in pioneer roles in providing technical assistance in PRAMS I. All were seasoned professionals but still pioneers with a difficult job. Most managed to penetrate the NWCA membrane and gained respect and occasional admiration.

The researchers were scheduled to arrive in January 1992, but only began arriving in late March 1993. They were scheduled to give at least some guidance, and collaborate with the Peace Corp Volunteers (PCV's) on data gathering but that will be re-examined. Work to date is preliminary and difficult to assess although many will be watching the outcome. The research is scheduled to expire with PRAMS I in September 1994 but will likely have to be extended.

By all indications the assessors have delivered a very valuable service to NWCA, but the true test will come close to two years from now when current behavior and decisions will be matched with future results and conditions. The short-term consultants made a positive impact on NWCA as they delivered the baton to the long-term consultants of ISTI. While much hope is resting on the researchers outcome, it is too soon to gauge the researchers' effectiveness.

B. International Science and Technology Institute Inc. (ISTI)

Section V, Articles 1 through 4 of the Memorandum of Understanding (MOU) between USAID and NWCA obligates USAID to provide project funds to finance technical assistance for NWCA, unions and societies. This assistance relates generally to reforming governance arrangements, developing New Internal Marketing arrangements and improving processing technologies, reducing per unit operating costs, and creating a marketing capability.

In March 1992, three long-term technical advisors in the fields of institutional development, financial management, and coffee processing without the advice or consent of NWCA whether or not such is required arrived at Bamenda.

This followed 19 months of S/T TA by ARD which had already laid ground work for all of the areas ISTI would now provide L/T TA. NWCA would view the ensuing relation as a "marriage of convenience" since it had very little influence in the selection process. The situation was further aggravated by an addition of 29 months of short-term technical assistance which NWCA either thought they could perform or that it was too expensive.

ISTI was charged with the responsibility of providing expertise and professional experience in the areas of institutional analysis, organization and general management, financial management and accounting, coffee marketing, processing and quality improvement in order to place NWCA in a greater capacity to compete with other private enterprises. Additionally, it was to help establish an institutional environment for autonomous and marketing cooperatives which were fully transparent.

ISTI has and continues to perform quite well both with its long- and short-term assistance. The most notable achievements have been in finance and accounting, especially at the Apex. Here ISTI has strengthened NWCA's budgeting, debt management, crop financing and organizational restructuring. In late 1992, the accounting system was computerized thereby providing more rapid information compilation and report outputs. One of the advances

through organizational restructuring has been implementation of evaluating departments on a cost recovery basis, central to increasing transparency in the accounting system. In this same general area, attempts have been made, with greater opposition, towards cost reductions through reorganizing and downsizing the Apex. ISTI strongly recommended cutting staff from 54 down to 22; so far the reduction is down only to 37.

One of the most promising and essential departments is the new Marketing Department. It is headed by a reasonably young, former union manager with valuable cooperative experience. Although the department seems ill equipped at present, the training and collaboration, at least in this area, is excellent.

ISTI's performance could have been a resounding success had it managed to disarm NWCA's feelings of animosity and its resistance to change. Arguably, such a task might have exceeded ISTI's technical mandate which it did quite efficiently while falling short at times on its transference.

ISTI should have enlisted a stronger commitment from USAID especially in view of several changes in key players since PRAMS I commencement. This was vital to bridge the gap between technical adviser and the "team" with a common goal.

In Annex 4 is seen the the Terms of Reference and work accomplished by ISTI.

C. The United States Peace Corps

The Peace Corps was first mentioned in Section V, Article 1 of the Memorandum of Understanding between NWCA and USAID as a viable resource to participate in PRAMS I. Two months later, December 16, 1991, the Peace Corps entered into a formal Memorandum of Cooperation with USAID, NWCA, MINAGRI, and APCC.

Overall the role of the Peace Corp Volunteers (PCV's) was to assist NWCA to change the existing poor management practices and redirect the accountability of each tier. Its focus was on the management issues of the cooperative produce marketing societies (CPMS). A secondary role was to work on both the implementation and research aspects of PRAMS I. The agreement called for 15 volunteers, but only five were initially provided. This number later grew to 11, one for each of the 11 unions. PCV's were to be supervised by NWCA and they were to submit quarterly reports to NWCA; NWCA was to provide technical guidance in collaboration with AID and the TA team.

Training was provided to the initial five PCV's by ARD to provide an understanding to the logic of the institution design for the cooperative structure. They were provided with the fundamentals to educate and inform the societies about the new institutional design and its implications. They were also trained to compile and record research data based on their field observations and experience. PCV's, by their nature, were anxious to move forward with their new mission. When NWCA failed to provide guidance, PCV's more and more took

their directions from ISTI. As word got back to NWCA about PCV's field activities, NWCA accused ISTI of usurping its role and said PCV's were attempting to avoid being supervised by them. This was the beginning of a major set back for the initial group of PCV's coupled by their youth and lack of relevant experience in their working fields. These things made it relative easy for NWCA to discredit their noble but futile effort.

The second group of eleven were more mature and had better knowledge transfer skills. They are working on both the implementation and research aspects of PRAMS I: (1) delivering technical assistance to the CPMS level; (2) building common knowledge of new institutional arrangements among cooperative members; (3) monitoring and recording the decisional and behavioral responses of CPMS officers, employees, and members to their new situation; and (4) watching for difficulties and problems that may necessitate revisions in technical assistance, institutional arrangements, and research design. While they are accomplishing these aspects with some degree of success, (1) and (2) are still diminished by earlier problems.

PCV's, despite the conflict they appear to be caught in, are doing a good job. USAID must take the lead in getting all of the team players of the same side. The loss of valuable human resources due to lingering animosities may well be an unanticipated "social cost".

D. Relationship with various counterparts

A major cause for difficulties throughout this project has been the evolvement of two separate camps between ISTI and NWCA with several entities gravitating to one side or the other. To be sure, mistakes were made as they are unavoidable in a project so complex and untried. There are several caveats to be derived from this project which should dictate early attention when recognized in the future.

V. COUNTERPART FUND MANAGEMENT - LOCAL CURRENCY USE

A. System of allocating and managing the L/C fund

The program grant required the GRC to deposit the equivalent local currency to the amount of the sector grant dollars deposited through PRAMS within 45 days following deposit of US dollars in the mutually agreed upon U.S. bank. The GRC is required to make its equivalent deposit into a separate, non-commingled, interest-bearing account.

The grant further specified the following as approved uses for the local currency:

1. payment of arrears owed by NPMB to NWCA;
2. support for NWCA to undertake a program of operational and organizational restructuring;
3. payment of severance benefits to terminated employees of NPMB or NWCA;
4. creation of a revolving credit fund to finance the construction of coffee processing facilities as required;
5. any other use mutually agreed to in writing by AID and the GRC.

The local currency fund is managed by the Caisse Autonome d'Amortissement (CAA) which also has responsibility for debt service operation where US dollars are used.

Prior to any disbursement, CAA must submit to AID an Activity Program Document (APD) describing the intended use and the terms and condition by which the funds will be made available to approved recipients.

The APD contains necessary information to assure careful programming as well as a monitoring device for proper use of funds. The APD and a correct up-to-date report on the local currency account is submitted to the mission and processed by the controller who will countersign an order for withdrawal of funds if approved. The Economic Analysis and Program Reform Implementation Office (EAPRI) also tracks use of local currency where it exists in their various projects.

It is tracked in a manner similar to that seen in table 6 which displays only PRAMS I activities.

Table 6
EAPRI LOCAL CURRENCY PROGRAMMING FOR PRAMS I
(CURRENT AND PIPELINE)

| ACTIVITY | EXEC. ORGN. | DATE | AUTH. AMT. (CFA) | DISBUR. TO DATE | REMAINING DISBURS. |
|--|-------------|----------|----------------------|----------------------|--------------------|
| 1. Payment of arrears | NWCA | 01/16/91 | 1,513,108,940 | 1,513,108,940 | 0 |
| 2. Equipment for NWCA | NWCA | 02/22/91 | 130,000,000 | 130,000,000 | 0 |
| 3. Motorcycles for NWCA & affiliated coop.'s | NWCA | 11/06/91 | 10,210,000 | 10,210,000 | 0 |
| 4. Apex level severance pay fund for NWCA | NWCA | 07/17/92 | 65,000,000 | 65,000,000 | 0 |
| 5. Vehicles for NWCA & its affil. coop.'s | NWCA | 08/26/92 | 30,882,000 | 30,882,000 | 0 |
| 6. Annual & intra-annual review fund | NWCA | ??/??/92 | 82,000,000 | 82,000,000 | 0 |
| 7. Union & society level severance pay fund | NWCA | 03/02/93 | 117,000,000 | 117,000,000 | 0 |
| 8. Contribution to USAID Foreign Currency Trust Fund/ARD | USAID | ?? | 36,000,000 | 0 | 36,000,000 |
| 9. Contribution to USAID Foreign Currency Trust Fund | USAID | 05/11/93 | 70,000,000 | 0 | 70,000,000 |
| Current Activity Totals: | | | 2,722,200,940 | 2,616,200,940 | 106,000,000 |

B. Impact of LC funds towards policy reforms, decisions, and dialogue

Local currency bears an inextricable role for PRAMS I which at best existed only as a notion without USAID support. It is one of the more effective instruments for opening dialogue and influencing decision impacting on reform.

Following a stalemate of nearly two years to accomplish a condition precedent for release of the third and fourth grant disbursements, nearly the impossible was accomplished in face of losing the funds. The decision for further extension no longer rested with USAID/Cameroon but with AID/W.

As fear circulated that these funds could be reprogrammed by AID/W, the CP transferring to NWCA the remaining assets from NPMB which started in November 1991 was finally completed on June 4, 1993.

C. Appropriateness of the use of local currency

The controls in place appear to be adequate with monitoring post at CAA, USAID Controller, and EAPRI to insure exclusive and proper use. A May 25, 1992 audit by Akintola Williams and Co. which examined NWCA accounts for the years 1990 and 1991 found no serious discrepancy.

D. Underlying problems affecting future use

PRAMS I, no matter what its final outcome may be, has made significant contributions towards reform in Cameroon. GRC is fighting for its very survival through its very austere economy. As much as it desires and needs US assistance, the local currency requirement creates a burden. It almost never has funds available to meet the 45 days deposit requirement and must shuffle among other critical areas for funds. It has in certain instances been compelled to borrow funds contrary to AID regulations.

Besides GRC burden, the intended recipient is required to wait months before the funds become available. NWCA often finds itself in financial straits awaiting funds.

Some donors, Japan as an example, use less constraining approaches. Consideration should be given to this matter to determine if any other alternative exist, i.e., transferring at least part of the fund to the USAID Controller for disbursement. Granted, this is a complicated matter and possibly an unwelcomed thought but it should be explored.

VI. KEY PROJECT ASSUMPTIONS: VALIDITY AND CURRENT RELEVANCE TO THE PROGRAM OBJECTIVES

A. Design Assumptions

The key assumptions of the project were few, but they can be divided into three parts: Macroeconomic, markets and prices, and production.

1. Macroeconomic Assumptions

The macroeconomic assumptions are that Cameroon has an international advantage in the production of export crops, PRAMS I could be implemented with minimum social costs, and the FCFA would be devalued by 1992. These assumptions are valid only to some extent. While Cameroon may have one of the best climatic conditions for producing arabica coffee, and may be able to produce a high quality coffee, both the yield and quality have declined. In light of falling world coffee prices and higher cost of labor, the major cost component of coffee harvesting in Cameroon, the average unit cost of production of Cameroonian coffee has increased and surpassed that of its neighboring competitors.

The table in the section on marketing shows that Cameroon has no real competitive advantage in arabica coffee production when average unit costs of production are compared.

2. Production Assumptions

The assumption that PRAMS I could be conducted at minimum social cost is true, only in the sense of a second best policy alternative. The PRAMS I program of policy reform was tied to the program of many other donors.

The World Bank SAP was one of the most demanding. The SAP called for salary reductions, and/or a reduction of the number of public employees. The GRC opted for the cut in salaries because the reduction in numbers of public employees could result in social discontent by those fired. The cut in salaries has engendered a reduction in savings, a liquidity shortage, and a banking crisis, (World Bank unpublished document). The ProAg had already shown that at the time of project planning that the rate of increase in the consumer price index had already surpassed that of coffee prices received by farmers. This trend worsened as the project progressed. At the same time consumer real income decreased, leaving them less money to buy goods and services. The retraction in spending has had negative repercussions on economic growth in this country. The exact cost of this economic decline has not been measured.

3. Marketing and Pricing Assumptions

Marketing and pricing assumptions were that market liberalization would result in unexpected economic outcomes to farmers, traders and exporters. Market liberalization would have brought unexpected economic outcomes only if the other assumptions about prices were realized. It was assumed that there would be a turn around in coffee prices by now. It was expected that by 1993 some improvements in prices would reach levels that restore the incentives to expand output and improve quality once again. Coffee prices have declined and there are signs that farmers are reallocating resources away from coffee production.(see Preliminary Report, "Mission d'Evaluation Technique et d'Audit Financier du Projet de Developpement Rural dans le North-Ouest et de la NWCA ", 1993).

Also it was assumed that the restructuration would generate a number of structural changes in the coffee market that would force the inefficient coffee producers and traders out of the market, and the roles of the unions and societies would be taken over by private traders, and in the long-run there would be only one central depulping and washing station. The present market price has not been encouraging enough to entice new entries into the market and the cooperative society still want to maintain their status quo.

In terms of outputs, certain assumptions were made, and these included: output of coffee would continue its long-term decline of 2.0 percent per year without the project, and with PRAMS I, market liberalization would cause output to stabilize in the fourth year and to grow at 3.0 percent per year thereafter. It was also assumed that with PRAMS I Cameroon arabica will be equivalent in quality to typical Central American arabicas by 1999. All these assumptions hinged on market restructuration and price increases. The market restructuration has been in place, but prices have not increased and there are no signs that the quantity nor quality of coffee will increase in the near future.

B. Validity of the Assumptions

The assumptions were all valid at that time, but were optimistic. The assumptions were based on a given time frame.

At time of scheduling of activities, the anticipated accomplishment dates set were too ambitious. This resulted on the placement of condition precedents for the disbursement of project inputs which were unrealistic. The failure to accomplish one of any of the conditions resulted in delays in other areas, and caused misunderstanding and confusion, resulting in each party blaming the other for the slow down. The assumptions on price increases were based on the reorganization of the ICO; this has not happened. As to whether farmers would be willing to allocate resources away from food crops to coffee production depended on a number of factors, including the relative price of other crops and the market situation facing the farmers. The assumption about the improvement in quality is realistic and can be attained within the allotted time if farmers and traders make the effort. This assumption is based on another assumption that price will vary positively with quality.

VII. CONCLUSIONS AND LESSONS LEARNED

A. Conclusions

All parties involved have shown a keen interest in PRAMS I success, although the execution process has not been very smooth. PRAMS I has been successful in its market and pricing reform. Among its achievements are:

1. The arabica producer prices are more or less determined by competitive forces as of the 1992/1993 season, following the dismantling of a 30 year old price fixing mechanism in the arabica coffee sector;
2. There exists no government stabilization fund for arabica coffee since the abolition of the NPMB in July 1991;
3. NWCA 's temporary monopoly power was rescinded at the end of 1992;
4. NWCA exports to foreign buyers and without GRC intervention;
5. All arrears are paid and assets of the NPMB are transferred to NWCA;
6. The internal cost structure of the NWCA has been improved;
7. The Cooperative Law has been passed and adopted. Dissemination at the sectoral level is underway.

NWCA has undergone some reform, but has experienced three consecutive years of financial loss. It is difficult to say whether the NWCA can ever be competitive, given present production, and prevailing market prices. The success of the project weighs heavily on macroeconomic changes, as well as behavioral changes at firm level. The design of the project was well thought out, for the most part, though the full and recursive effects of all policy changes were not thoroughly considered at the initial stages of the project. Refinements to the project were made in order to meet certain objectives. Market liberalization was proposed without any way of providing farmers and market agents information on prices and product. This was only recognized during the second year of the project. The implementation of AMIS will facilitate the project in attaining its objectives.

The policy dialogue aspect is an open and candid way in getting people involved in programs that affect their well being and should, therefore, be continuous. The hands-on approach must be introduced at all levels of policy formation and implementation. It should even be introduced at the orientation stages of entry level into the civil service.

The policy reform component at the national level has enjoyed a good success. The process has brought donors together in effecting change. While some may construe it as ganging up against a government which has found itself facing difficult circumstances, it may well be a meaningful way of fostering development. These recommended policy changes require institutional restructuring, and should therefore, be studied in a socio-political context before they are executed.

Project implementation aspect of the project is successful at the administrative levels, but at the firm level progress is yet to be measured. A number of private entrepreneurs have sought license to enter the arabica coffee market, the process for obtaining a permit has been made easier by the publication of guidelines by MINDIC, but the production and price of arabica coffee are still inadequate to encourage private traders to enter the market. Private businessmen are further constrained by the liquidity squeeze at banks, and find it difficult to obtain loans to fund their business. Farmers are still not sure of their position in the whole scheme of market liberalization. An education program is planned which will help bring the farmers and traders up to date with the process. The market information system, as planned, will provide good support for the market liberalization process.

The support provided by government and donors was adequate, but was not always smoothly delivered. There were times when it seems that the donors were competing to bring about changes. This was due mainly to poor communication. USAID has sought to rectify this problem with the other donors. Since then a committee has been formed of the major donors. The purpose is to evaluate policy reform changes through continuous dialogue. The condition precedent approach is a very important instrument for effecting policy changes, but its concerted use by donors should be studied carefully in order to avoid conflict and mistrust among donors.

The technical assistance, both short and long term, provided by USAID, has just began its integration within the NWCA and provide good support to the policy reform process. All members of the TA team should try to integrate within the NWCA. The level of success will depend on how well they organize and execute the planned training program on cooperative and market liberalization. The research team has began field research, it is too early to tell what effects this will have on PRAMS I. The research should be coordinated with on going field research with the University of Dschang.

The peace corps has been doing a good job in the field and their role in the process of market liberalization should be studied. Should they be involved in helping farmers, cooperative societies and unions master the accounting system, or should they be

involved in the policy dialogue process? One must also think of sustainability. Though they are already overburdened their role should be dual; help the cooperative in the new accounting procedures, and at the same time participate in the policy dialogue process, training the CPMS to be independent.

The NWCA Apex is still struggling financially and has a sagging morale. The management system and style is still not clearly defined. The accounting system is yet to be transparent enough to be used for evaluation and planning. The Apex is still too top heavy and must be downsized. The cost of marketing a kg of coffee is too high.

The coffee marketing system is just beginning to function. Marketing is one of the main functions of the NWCA and it is yet to be established as a dominant organ of the NWCA. The marketing department should be strengthened in order to be competitive. Some of money allocated for the purchase of new processing equipment should be used for improving the marketing division. It was difficult to measure the cost effectiveness of the project at this time because of lack of quantifiable outputs, and because of the absence of a logframe with a given set of a-priori assumptions.

PRAMS I should serve as an example or model of new projects that will help small farmers and small businesses, but the funding of NWCA does not ensure market liberalization. There is no way of telling whether the NWCA will ever become a financially viable cooperative. Even the giving of monopoly power to NWCA did not allow its survival without external assistance.

B. Lessons learned

1. Policy reform at the sectoral level implies putting in place at the national level the mechanisms for facilitating the reform. This involves government intervention and participation at all levels, which can be difficult and even confrontational at times, since it involves major institutional changes. There must be a certain amount of political maneuvering in order that the reform can be successfully attained within a given time frame. PRAMS designers failed to take this into consideration. There was no technical assistance located in Yaounde to assist in policy dialogue and to speed up the process.
2. The implementation of the pricing and marketing policy reform required the removal of impediments which restricted market efficiency. Underlying this assumption is the efficient resource allocation. This means the reallocation of excess resources at all levels. Such a change, though efficiency enhancing, can also have negative effects on those individuals who should be carrying out the change. Policy reform engenders redistribution of welfare among

political, public institutions and the society. The market liberalization of the arabica sub-sector required the removal of certain individuals from the managerial rungs of the marketing board. The organization had to reduce over head cost in order to attain greater efficiency. The process was slow because who had to initiate the changes would most likely suffer from the consequences. Therefore, policy reform requires the cooperation of all, even those who stand to loose from the process. The technique and process of effecting policy reform with minimum effects on those who should be promoting the change merits some examination and study. These individuals should also be prepared for the changes.

3. PRAMS I was intended to reform the agricultural and marketing sector. The objectives included increasing market efficiency through market liberalization and strengthening the Northwest cooperative to be more efficient. At the project planning stage, it was thought that in order to strengthen the NWCA it had to be granted monopoly status during the early stages. This condition precedent is rather contradictory since monopoly power almost always reduces economic efficiency. As can be demonstrated by NWCA business records, the monopoly status granted NWCA did not enhance its efficiency. Market reform is not achieved through the creation of a monopoly.
4. Market liberalization involves the free flow of information; yet in the planning of the project a market information system was not planned. This was only recognized in second year of the PRAMS I. The condition precedent could not have been effectively achieved unless there was free flow of information. The absence of a market information system resulted in much confusion.
5. Policy reform involves the restructuring of institutions. Institutions are tied to the era from which they came into existent, and are related to the socio-cultural environment. Institutional changes can be very difficult to implement, given that such changes depend on modifications in the socio-cultural setting. This means that policy reform can not be carried out in a vacuum. Global consideration of all impacts must be thoroughly studied. The design of the project should have included individuals of various disciplines who could have recognized possible future socio-cultural effects of policy changes. A log frame with assumptions made should have accompanied the ProAg. so that project progress could have been measured in light of unforeseen socio-economic changes.

The design of the project required continuous dialogue and the hands-on approach. This dialogue should be on-going throughout the project in order, for must to be successful. This dialogue has to be at all levels, and requires public relations and information dissemination at all stages and all participants and beneficiaries must be informed of the process. This is of paramount importance since individuals must unlearn what they have learned in the past, and internalize some new ways of thinking and behaving. Entrepreneurship skill acquisition; which is an inherent part of a free market economy, requires a learning process. Seminars, workshops and radio talks should have been planned to educate individuals at all levels and from the initiation of the project.

VIII. RECOMMENDATIONS

There are several recommendations which will help the project attain its objectives and at the same time aid the donor agency and the GRC in planning similar future projects.

A. United States Agency for International Development (USAID)

1. USAID in concert with other donors should continue present policy dialogue with the GRC in order to enhance the effectiveness of the policy reform implementation process.
2. USAID should organize workshops and seminars to discuss the plan of action to be carried out during the remaining lifetime of PRAMS 1. Future projects should be aimed at policy dialogue focusing on creation of an "enabling environment " for agribusiness development, that is, "improve the conditions for private sector trade "; and pilot activities on small farm and business assistance in the rural areas.

B. Government of the Republic of Cameroon (GRC)

1. The government of Cameroon must develop mechanisms to thoroughly institutionalize policy reform so that there is no process reversals with time. This involves the putting into place a committee to monitor the progress of policy reform and to develop an archive section where the policy reform documents are kept in a systematic way, and accessible to the public.
2. The GRC must resolve its continuing difficulties in matching local currency deposits and that of intended beneficiaries. It should begin a direct dialogue with USAID unless other solutions are available and currently under consideration.
3. As a follow-on to its trade liberalization policy, GRC must now insure the free access to information concerning price, product and market conditions through the creation of a management information system.

C. North West Cooperative Association (NWCA)

1. The emphasis during this final year of the project should be on quality improvement. To obtain a quality coffee as high as that of Central America, NWCA should begin educating the farmers on quality improvement. The CPMS must pay according to the quality of coffee supplied by farmers.

2. The operation of mills at 5 percent or less than full capacity is economically inefficient. A study should be conducted to determine the feasibility of combining or closing certain mills.
3. Money presently allocated for the purchase of new processing equipment should be diverted to the development of a sampling room for the marketing division.
4. NWCA should set up a task force to examine the assets and liabilities of NWCA, and seek a way of eliminating all debts, and salvaging assets which may be presently white elephants. This will help increase the transparency of the accounting system.

ACRONYMS

| | |
|----------|---|
| AMIS | Arabica Market Information System |
| ADB | African Development Bank |
| APD | Activity Program Document |
| APCC | Arabica Policy Coordinating Committee |
| APCD | Associate Peace Corps Director |
| ARD | Associates in Rural Development |
| BBA | Block Buying Allowance |
| CAA | Caisse Autonome d'Amortissement |
| CDC | Commonwealth Development Corporation |
| CFRF | Crop Finance Revolving Fund |
| CICC | Interprofessional Council on Coffee and Cocoa |
| COOPAGRO | Cooperative Agricole de l'Ouest |
| CP | Condition Precedent |
| CPMS | Cooperative Produce Marketing Society |
| EAPRI | Economic Analysis and Program Reform Implementation Office |
| EDF | European Development Fund |
| EEC | European Economic Commission |
| FCFA | Franc de la Communité Financière Africaine |
| FOB | Free On Board |
| FSSRP | Fertilizer Subsector Reform Program |
| GRC | Government of the Republic of Cameroon |
| IADF | Institutional Analysis and Design Framework |
| ICA | International Coffee Organization |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labor Organization |
| IMF | International Monetary Fund |
| ISTI | International Science and Technology Institute, Inc. |
| MIDENO | Mission de Développement de Nord Ouest (North West Development Authority) |
| MINAGRI | Ministry of Agriculture |
| MINDIC | Ministry of Industrial and Commercial Development |
| NIMA | New Internal Marketing Arrangement |
| NPMB | National Producer Marketing Board (french acronym is ONCPB) |
| NWCA | North West Cooperative Association |
| ONCC | National Cocoa and Coffee Board (Office National du Cacao et du Café) |
| ONCPB | National Producer Marketing Board (French acronym) |
| PACD | Project Assistance Completion Date |
| PCV | Peace Corps Volunteer |
| PIA | Project Implementation Agreement |
| PRAMS | Program for Agricultural Sector Reform |
| PROAG | Project Agreement |
| SAL | Structural Adjustment Loan |
| SAP | Structural Adjustment Program |
| SDR | Special Drawn Rights |

RTC
UCCAO
UNDP
USAID

Restructuring Technical Committee
Union Centrale des Cooperatives Agricoles de l'ouest
United Nation Development Program
United States Agency for International Development

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A N N E X 1

SECTION C - STATEMENT OF WORK

C.1. BACKGROUND:

1. Political Situation

a) Political atmosphere in Cameroon

Political developments during 1991 and most of 1992 were grounds for some legitimate optimism as opposition parties were given legal status and began to get themselves organized. Political turmoil, government mismanagement, and an international economic recession have converged to place Cameroon at a critical and possibly historic crossroads.

b) Relations between U.S. and Cameroon

USAID has nearly thirty years of development experience in Cameroon, focusing primarily on agriculture and health. Working closely with the Government of the Republic of Cameroon (GRC) and other major donors such as the World Bank, the EC, the CFD, USAID has pioneered advances in agricultural research, agricultural and economic policy reform, and the development of sustainable primary health care systems. Currently there is a partial suspension of US assistance to Cameroon.

2. Economic conditions affecting the agriculture sector

The agricultural sector contributes about 24 percent of the total GDP and 27 percent of export revenues. It provides employment for about 75 percent of the national work force. Food crops, export crops, livestock, forestry and fisheries account for 56 percent, 11 percent, 16 percent, 11 percent, and 1 percent respectively of the agricultural GDP.

Institutional crisis: The GRC's financial crisis has resulted in serious under-funding of many crucial institutions, including agricultural research, training and extension institutions. GRC's potential contribution cannot be fully realized unless dramatic and effective actions are taken to restructure these institutions and provide adequate funding for highest priority programs.

Low Productivity: Current yields for many crops, particularly those grown by small-scale farmers, are considerably less than what would be attained utilizing available, proven, and sustainable production technologies. The recently enacted cooperative law which provides much greater autonomy to cooperatives and restricts government interference, provides renewed hope that these organizations will play an increasingly effective role in the area of extension services and commodity marketing.

Agribusiness and Market Development Constraints: The constraints encountered by agriculture and related enterprises are formidable. Since agriculture still forms the backbone of Cameroon's economy, this is of paramount concern for any donor strategic exercise. The following are some constraints:

Over-participation of the GRC in large-scale agriculture enterprises; High cost of inputs and low productivity of labor; Slavish and completely unrealistic adherence to the notions of fixed producer prices for some commodity exports; Lack of access to market opportunities and price differential information; Poor and deteriorating farm-to-market transportation infrastructure in the productive agriculture regions; and Government obstruction and interference through overly complex tax codes, uneven enforcement of regulations, formal (and informal) levies on export products, and roadblocks which target (and delay) agricultural transporters.

3. Description of the PRAMS Program/Project

a) History and development of PRAMS I

The PRAMS I Grant Agreement between the GRC and USAID was signed on 8/30/90. PRAMS I supports the GRC's commitment of the objective of liberalizing the internal and external marketing of arabica coffee by removing marketing impediments and pricing constraints in the arabica sector, strengthening the capacity of the North West Cooperative Association (NWCA) Ltd. to compete in the medium-term with other cooperatives and private buyers and establishing an institutional environment for autonomous marketing and accountable marketing cooperatives.

b) Major elements of PRAMS I

The goal of the overall program, including its non-project and project assistance components, is to promote, without undue social costs, the introduction of private competitive market forces at all levels of the arabica coffee marketing chain.

The purpose of the overall program is to:

1. remove marketing impediments and pricing constraints in the arabica sector;
2. strengthen the North West Cooperative Association's (NWCA) capacity to compete with other cooperatives and private traders/processors; and
3. establish an institutional environment for autonomous and accountable marketing cooperatives.

The specific project outputs are to:

1. Establish a graduated tax structure for arabica coffee in the North West and West Provinces.
2. Authorize both cooperative and private buyers involved in arabica coffee marketing in the North West and West provinces to set their own prices based in market forces independent of government supervision or control.
3. Eliminate the Government-managed arabica coffee stabilization fund in the North West and West provinces.
4. Eliminate cooperative marketing monopolies in the North West and West Provinces.
5. Authorize all qualified arabica buyers, processors, and exporters in North West and West Provinces to sell to any foreign buyer.
6. Establish a transparent system for allocating ICA quota certification which guarantees arabica producers access to world markets, if the ICA is renewed.
7. Authorize NWCA to export arabica coffee directly to foreign buyers.
8. Transfer all the hulling and conditioning equipment and other assets owned by or under the custody of NPMB/Bamenda to NWCA.
9. Modify NWCA's institutional arrangements to restructure its operational and organizational components.
10. GRC interim statement of policy outlining objective regarding cooperatives in the North West and West Provinces in lieu of a revised cooperative law.
11. Promulgate and implement a liberalized cooperative law that reduces GRC involvement in the formation, management, and dissolution of cooperatives nationwide.

C.2. OBJECTIVE

The objective of the contract is to provide GRC/USAID decision-makers with objective, empirically based findings regarding project achievements and failures to date, conclusions regarding the continuing relevance and feasibility of project objectives, and recommendations regarding the future direction and management of the project.

The Contractor will (1) reassess the relevance of the initial project design and its fit with the GRC's and AID's evolving program strategies under the SAP and with Cameroon's changing economic, policy, and institutional environments; (2) review the assumptions made during the project design and determine their continuing validity; (3) review actual versus planned progress toward the input-, output-, and purpose-level objectives of the original project design; (4) identify and analyze the factors accounting for progress and the lack thereof with respect to original projects objectives; (5) given these factors, assess the feasibility of achieving those objectives and sustainable impact under the project; and (6) identify strategies and means for resolving the major problems affecting the achievement of project objectives.

C.3. PERSONNEL:

The contractor will provide the following team members:

- Institutional Analyst/Team Leader
- Economist
- Arabica Coffee Marketing Specialist

Other persons who could participate in the assessment as observers and/or resource persons include:

- Two GRC (MINAGRI, MINDIC, MINPAT) counterparts to be designated by the Arabica Policy Coordinating Committee (APCC).

The evaluation team will address, at a minimum, the following specific issues:

- a) Progress toward Policy Reforms
 - (1) Specific Conditions Precedent
 - (2) Impact on macroeconomic policy environment
 - (3) Impact on intended beneficiaries
- b) Progress toward restructuring of the NWCA
- c) Key assumptions and current relevance of program objectives.
- d) Review of Actual vs Planned Progress

To what extent has the project reached or is it reaching its output targets? Given the accomplishments to date, will these targets be reached by the Project Assistance Completion Date (PACD).

e) Review of Implementation Performance

Effectiveness of Technical Assistance (analyze the role and functions of the technical assistance teams from ARD and ISTI and the degree to which it has been effective in achieving the goals of PRAMS I. Review their contract(s), terms of reference and Annual Work Plans, and examine the progress achieved by the members in their individual areas of responsibility and overall progress of the team.

- (1) Specific Targets of the TOR
- (2) Relations with Host country
- (3) Training (on-the-job, etc.)
- (4) Data collection and analysis
- (5) Impact on policy decisions/policy dialogue.

f) Use of Local Currency

- (1) System of allocating and managing the LC fund
- (2) Contribution of the LC fund towards policy reforms
- (3) Appropriateness of the use of the local currency
- (4) Impact on policy decisions/policy dialogue.

Specific scopes of work for team members:

1. Institutional Analyst (IA)/Team Leader

Function:

The team leader, will be responsible for defining the analytical framework which will guide the evaluation effort and which is consistent with the AID evaluation guideline; Reviewing the Memorandum of Understanding between the USAID and NWCA, the Program Agreement, the Program Implementation Agreements for Year One and three; assessing ARD and ISTI performance; examining appropriateness of use of local currency. Based on this assessment, the IA will present his findings, conclusions and recommendations regarding the appropriateness of existing institutional arrangements given project objectives, the changes in those arrangements necessary to achieve project objectives, the feasibility and options available for achieving those changes, and actions that should be taken in response to these options.

He will also be responsible for completing a final draft prior to departure from Cameroon. The format will be determined jointly with USAID early in the consultancy. An oral presentation to the APCC and to USAID staff will be given at the end of the consultancy.

The Team leader will then incorporate any additional input into the final report in response to Mission issues raised. He will assign and coordinate overall responsibilities and tasks and have final responsibility for the quality and content of the overall documents.

Qualifications:

A Ph.D in Public Administration, Political Science, Law or Management and at least five (5) years experiences in development project evaluation in Francophone Africa (Ph.D. may not be required if candidate has a minimal of 10 years of experience in the field of economic development in Francophone Africa.) Excellent writing skills demonstrated by previous publications. Proven ability as a strategist/conceptualizer. French at the S-3/R-3 levels. Familiarity with AID documentation requirements is a desired.

2. Economist

Function:

The economist will be responsible for assessing the general social/economic/financial environment in Cameroon and the policy/program transitions occurring in that environment within the framework of the Structural Adjustment Program (SAP). He will examine all conditions precedent policy reform component, especially the one related to the graduated tax structure. Provide a rationale (if any) for the introduction of a graduated tax structure in view of recent development in the tax reform area and its impact on farmer revenue in the arabica coffee region. He will also examine the rationale for the marketing information system and its impact on different participants in the arabica marketing channel. The Economist will explore the capacity of the NWCA to withstand full competition in the arabica coffee marketing system.

The economist will present his findings, conclusions and recommendations regarding the actual and potential relevance, effectiveness, efficiency, impact and sustainability of the PRAMS-I projects objectives. He will recommend an action plan for resolving outstanding problems and taking advantages of opportunities identified for achieving PRAMS-I project objectives.

Qualifications:

A Ph.D in Economics, or related fields. French language proficiency at S-3/R-4 and at least five (5) years work experiences in Francophone Africa in the field of economic development.

3. Arabica Coffee Marketing Specialist

Review relevance of Program Implementation Agreement(s) New Internal Marketing Arrangements (NIMAs) and performance of the processing specialist and marketing specialists, NWCA progress as a marketing agency. Review decision on sales through brokers and traders.

Qualifications

MA or MSc in marketing, with 5+10 years experience in the marketing of arabica coffee. Good familiarity with arabica coffee processing techniques, operations of arabica coffee marketing cooperatives.

The team will be expected to visit NWCA headquarters and several unions, societies, Bamenda commercial banks, provincial and central government officials, members of the APCC and USAID.

Prior to his or her departure from the U.S., the team leader will be expected to meet with Dr. Oakerson in the U.S. to discuss the use of the Institutional Analysis and Design Framework (IADF) and the design of the NWCA Restructuring Component.

C.4. REPORTS:

The contractor shall provide the following reports:

- A written schedule of proposed activities (field visits, analysis and reporting) for the duration of the contract. This will be prepared in collaboration with the EAPRI Chief and the PRAMS I Coordinator. The schedule will be delivered within four (4) days of the start of the work period.
- A mid-term progress report summarizing the status of the evaluation.
- A draft report, the contents and timing of which are detailed below.
- A final report, as described below, incorporating mission comments on the draft report.

Draft Report: The Team Leader shall submit five (5) English hard copies of the draft report to the Mission for review and comments. This report shall be submitted within twenty-five (25) working days after arrival in country and shall include at a minimum the following:

- An Executive Summary that summarizes the PRAMS I project objectives, the purpose of the evaluation, the study methodology, the team's findings, conclusions and recommendations, and lessons learned regarding the design and implementation of the commodity reform program.
- The body of the report should include discussion of: (1) the purpose of the evaluation and the study questions addressed; (2) the team composition and the analytical framework employed by the team; (3) the economic, political, and social context in which the project is being implemented; (5) conclusions drawn from the findings;

(6) recommendations based on the study findings and conclusions stated as actions to be taken; and (7) the key lessons learned from the study regarding the design, implementation and evaluation of the project.

- Appendixes should include a copy of the evaluation scope of work, the most current logical framework, a list of people interviewed, and a list of documents consulted.

Final Report: The final report in finished form shall be submitted to the Mission with 6 working days of receipt of Mission comments on the draft report (in English). The finished product will be in thirty (30) copies of a bound, reviewed, and approved document and one electronic copy entitled "Program of Reform in the Agricultural Marketing Sector, Phase I, Mid-Term Evaluation".

An Executive Summary of the final report will also be prepared in French.

The final report will be submitted to USAID prior to the Team Leader's departure from Cameroon.

The final report should include the points raised in the draft. The contractor shall provide 30 copies of the Final Report in French no later than one month after submitting the Final Report in English.

C.5. RESPONSIBILITIES

The contractor will be responsible for managing his/her own time, efforts, and output, but will receive technical directions from and have frequent discussions with the USAID/Cameroon EAPRI Chief, or his designated representative, and the Program Management and Project Development Officer.

C.6. WORK DAYS ORDERED

The evaluation will be conducted over a 33 work-day period for the Team Leader and a 26 work-day period for each of the other evaluators during the months of May/June in accordance with the following schedule:

| | |
|--|-----------|
| Contract signed | DAY 0 |
| Meeting with Dr. Oakerson | DAY 1 |
| Travel to Cameroon | DAY 2-3 |
| Background literature and reviews/interviews in Yaounde, agreement on Scope of Work, allocation of individual responsibilities, and development of work plan | DAY 4-7 |
| Travel to and work in Bamenda and environs - report writing | DAY 7-9 |
| Return to Yaounde, review findings with USAID and complete drafting of report | DAY 20-26 |
| Submit draft to Mission | DAY 27 |

| | |
|---|-----------|
| Review findings, conclusions/recommendations with Mission/APCC representatives | DAY 28 |
| Submit final report in English | DAY 34 |
| Return to U.S. | DAY 34-35 |
| Submit final report in French | DAY 64 |

SECTION D - PACKAGING AND MARKING

Pursuant to the clause of this contract entitled "Reports", the cover page of all reports prepared by the Contractor shall include the Contractor's name, project name and number, and the contract number.

SECTION E - INSPECTION AND ACCEPTANCE

E.1. Inspection

Final inspection and acceptance of all items called for by the Contract shall be made by the USAID Contracting Officer at:

U.S.A.I.D.
c/o United States Embassy
B.P. 817
Yaounde, Cameroon

E.2. FAR Clauses

The following four (4) clauses are incorporated by reference.

52.246-1 Contractor Inspection Requirements (APR 1984)
52.246-3 Inspection of Supplies - Cost Reimbursement (APR 1984)
52.246-5 Inspection of Services - Cost Reimbursement (APR 1984)
52.246-15 Certificate of Conformance (APR 1984)

SECTION F - DELIVERIES OR PERFORMANCE

F.1. Period of Contract

This effective date of this contract is: May 1, 1993.
The estimated completion date of this contract is: Sept. 30, 1994.

A N N E X 2

Annex 2: List of Persons Contacted

USAID/Yaounde

1. Peter Benedict, Director
2. Ronald Harvey, Deputy Director
3. Kiffle Negash, Chief, EAPRI
4. François Vézina, PRAMS Coordinator
5. Thomas Crawford, Evaluation Officer
6. Daniel Moore, FSSRP Project Coordinator
7. Ngue Marcel, Project Officer

GRC

1. Simeon-Pierre E. Abanda, Agro-Econ, MINDIC
2. Isaac Njiémoun, Director General, CAA
3. Augustin Fongang, Chef de Service, CAA
4. Jean-François Cavana, Advisor, MINAGRI
5. Innocent A. Ateba, S/G, MINPAT
6. Simeon F. Dopna, APCC Coordinator, MINPAT
7. Anthony Ngenge, Charge d'Etudes, Director of Studies and Planning

NWCA

1. Christopher Kun Berinyuy, BOD President
2. Robert Ghogomu, General Manager
3. Paul Bantar Ngabir, Administrative Assistant
4. Abel Chenyi, Head, Finance and Accounting
5. Christopher Mbah, Head, Marketing
6. Sikod Eliás Fofung, Engineer
7. Andrew Ajudo Nkfutoh, Area Manager

ISTI

1. Lisa Matt, Chief of Party
2. Cary Raditz, Financial Management (FM) Specialist
3. Tony Marsh, Coffee Procurement Specialist
4. Philip Resta, Coffee Marketing Specialist
5. Eric Tollens, AMIS

ARD

1. Ronald Oakerson, PRAMS Assesor
2. Daniel Green, Researcher
3. Paul Wessen, Researcher (Bamenda)
4. Don Herman, Researcher
5. Randy Dow, (former) FM Specialist
6. Tjip Walker, Researcher

PEACE CORPS

1. Chris Kosnick, Associate Peace Corps Director/Rural Development
2. 11 PCVs assigned to each region

ECC

1. William Hanna, Economic Advisor
2. Hartmut Hofmeister, EDF Advisor (Bamenda)
3. Michel Eheserens, EDF Auditor

UCCAO

1. Germaine Tamwo, Marketing Manager
2. Faustine Blaise Tchatat, Economiste Gestionnaire
3. Nzeufa Tchatchoua Pierre, Director General

COOPAGRO

1. Mrs. P. Vacalopoulos, Plantation President

ONCC

1. Pierre Etoa, Mgr., (Douala)

SGS

1. Henri Bakang, Assistant Director, (Douala)

WORLD BANK

1. Werner Roider, Senior Agricultural Economist

ILO

1. Alexandre Soho, Cooperative Management Expert

CENTRE UNIVERSITAIRE DE DSCIANG

1. François Kamajou, Professor and Dean of School of Business

A N N E X 3

NORTH WEST COOPERATIVE ASSOCIATION, LTD.
INTERNAL MARKETING ARRANGEMENTS

I. SCHEDULE OF INTERNAL PRICES AND COSTS

The _____ Area Cooperative Union, Ltd. and the North West Cooperative Association, Ltd. (NWCA) jointly certify that the following rates will determine the maximum price charged for processing and marketing services provided to Cooperative Produce Marketing Societies (CPMSs) in the NWCA during the 1990/91 coffee marketing season (estimated CPMS costs included):

| Items | Prices/Costs (FCFA per kilogram) |
|----------------------|-------------------------------------|
| <u>CPMS</u> | |
| Operations | 15 |
| Transport to Union | 6 |
| CPMS TOTAL | 21 |
| <u>UNION</u> | |
| Operations | 95 |
| Jute Bags | 7 |
| Transport to Bamenda | 4 |
| UNION TOTAL | 106 |
| <u>APEX</u> | |
| Operations | 28 |
| Financing | 6 |
| Transport to Douala | 10 |
| Exporting | 18 |
| Taxes | 8 |
| APEX TOTAL | 70 |
| TOTAL COSTS | 197 |

A N N E X 4

SECTION CSTATEMENT OF WORKC.I. OBJECTIVE

The purpose of this contract is to provide technical services as part of the USAID/Cameroon Program of Reform in the Agricultural Marketing Sector, Phase I (PRAMS I).

C.II. GENERAL BACKGROUND

PRAMS I is a non-project/project assistance activity whose goal is to promote, without undue social costs, the introduction of private, competitive market forces at all levels of the arabica coffee marketing chain in Cameroon. These two forms of assistance will be used to finance a PRAMS I policy reform component, a cooperative restructuring component, and several smaller, supporting components. The PRAMS I policy reform component is designed to remove marketing impediments resulting from inappropriate pricing, marketing, and cooperative policy and to replace the existing administered marketing structure for arabica coffee with a fully liberalized one. The PRAMS I cooperative restructuring component is designed to (1) increase the quality and quantity of arabica coffee produced and (2) increase the efficiency with which cooperatives and ultimately other operators process and market arabica coffee in the North West and West Provinces in the context of the newly liberalized policy environment.

The central approach of the PRAMS I cooperative restructuring component is through the operational and organizational restructuring of the North West Cooperative Association (NWCA), located in Bamenda in the North West Province. The NWCA is a three-tiered marketing cooperative structure consisting of 40 primary societies, 11 cooperative unions, and an apex organization. NWCA's primary functions thus far have been the collection, processing, and subsequent consignment of arabica coffee to the government parastatal National Produce Marketing Board (NPMB). PRAMS I will assist the NWCA in its transformation from a dependent agent of the NPMB to a self-sufficient, service-oriented organization capable of competing in the liberalized market environment created through PRAMS I policy reform measures. General objectives include:

- Improve the quality of the coffee marketed by NWCA through (1) improved cultivation, processing, and sorting, brought about by both technical and institutional changes, and (2) the implementation of new internal marketing arrangements that will better convey international demand and supply signals to the farmers;
- Increase the accountability of the cooperative structure to its membership through (1) simplifying and making transparent cooperative financial affairs, and (2) revision of bylaws at all cooperative levels to increase financial and managerial independence.

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- Increase the efficiency of the cooperative structure through (1) reduction in overhead costs by correcting staffing and operational inefficiencies and (2) optimization of the number and location of cooperative units.
- Create an international marketing capability at NWCA to profitably market arabica coffee produced.

The specific objectives to be obtained through the cooperative restructuring are spelled out in a Memorandum of Understanding between NWCA, its affiliated unions, and USAID. This Memorandum explains the principles that will guide revision and/or creation of cooperative bylaws and marketing protocols, enumerates tasks to be undertaken, and defines the obligations of USAID and NWCA as related to the restructuring. The Memorandum will be supplemented by annual agreements that set forth the bylaws and protocols to be in effect and state which tasks will be undertaken during the coming year. The Memorandum of Understanding is included as Annex C-I.

The PRAMS I cooperative restructuring component will also receive technical support through the Peace Corps Cooperative Restructuring Project (PCRP). The PCRP will consist of approximately fifteen (15) Peace Corps Volunteer "Cooperative Technical Advisors" (CTAs) assigned to cooperative primary societies (CPMS's) with the role of advising, assisting, and providing training in technical matters related to the overall implementation of PRAMS I. Primary focus of the CTAs will be on increasing the efficiency of CPMS management, increasing CPMS accountability, and strengthening member control and accountability.

In addition to the policy reform and cooperative restructuring components, PRAMS I includes four smaller, supporting components. The background and objectives of these components are outlined below:

Feasibility Study of Central Pulping in the West Province: This study will examine the feasibility of central pulping as applied to the West Province, similar to a study planned for the North-West Province under the PRAMS I cooperative restructuring component. The study, which will be conducted in collaboration with the West Province's major coffee cooperative, UCCAO, will upgrade six existing pulping stations into full wet factories, operate them on an experimental basis for a year, and then prepare a plan for further construction of such centers based on the study results.

NWCA Severance Payments: One consequence of the implementation of the PRAMS I policy reform and cooperative restructuring components will be the laying-off of workers of NWCA. Consistent with PRAMS I purpose of minimizing the social costs of adjustment, funds will be used to cover (in accordance with Cameroonian laws) severance payments of workers of NWCA that have been laid-off as a result of PRAMS I.

Revolving Credit Fund: The policy reform component of PRAMS I eliminates or reduces many barriers to private sector involvement in arabica marketing. However, even after full market liberalization, investment capital will remain a major constraint. To address this constraint, a revolving credit fund will be capitalized once the market has been fully liberalized. The revolving fund will provide partial financing for private sector (both

Research Program: PRAMS I will finance research aimed at improving the Mission's understanding of the design and implementation of socially responsible policy reform under bureaucratic regimes. A three-fold research strategy will include (1) intensive monitoring to record the full process of structural policy reform, (2) utilization of institutional analysis (*) methodologies adopted by the Mission to guide research activities, and (3) emphasis on maximum Cameroonian participation in research activities. To ensure consistency between research, implementation, monitoring, and evaluation, members of the research program will be active participants of the quarterly review meetings identified below.

Central to the design and implementation of PRAMS I is the conceptual framework of Indiana University's Workshop in Political Theory and Policy Analysis "Institutional Analysis and Design Framework (IADF)." The IADF framework has been adopted by the Mission to help guide the planning, implementation, and evaluation of the PRAMS I activity. Accordingly, the IADF framework has been used and will continue to be used as a principal tool in the design, implementation, and monitoring of PRAMS I, particularly as relates to the cooperative restructuring component. Annex C-II contains a brief explanation and description of the IADF Framework.

The Contractor shall be responsible for providing appropriate long- and short-term technical assistance in pursuit of the goals and objectives of the PRAMS I cooperative restructuring component and the supporting components outlined above. In pursuit thereof contractor will provide the cooperative structure with three (3) long-term field advisors: an institutional development specialist; a coffee processing specialist; and a financial management specialist, at twenty-four (24) person months each, giving a total of seventy-two (72) person months. Specifications for these positions are given below. In addition, the contractor will provide twenty-nine (29) person months of short-term technical assistance as discussed below. The total level of effort required under this contract will therefore involve one-hundred-and-one (101) person-months of long- and short-term technical assistance.

*Institutional analysis, as defined here, refers to the study of the "full range of formal and informal rules, regulations, procedures, and incentive sets in the economic, political, and social spheres that guide human interaction (Truong, Tham. 1989. Privatization of Cameroon's Subsidized Fertilizer Subsector: The Implementation Process; Paper presented at Agribusiness Seminar by USAID--AFR/MDI and AFR/TR/ANR; August 23-25, 1989).

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The long-term field advisors will report directly to the General Manager of the cooperative and will serve as advisors to various elements of cooperative leadership and technical managers as described below. The advisors shall also be responsible for developing and overseeing the short-term technical assistance activities envisaged under this contract as discussed below. In addition, the advisors will be responsible for providing technical support and guidance to the Peace Corps CTAs. Design and implementation of these technical assistance activities are to be done in close coordination with both the NWCA and the Mission's PRAMS I staff.

The Chief of the Office of Economic Analysis and Policy Reform Implementation (EAPRI) is responsible for the overall coordination and implementation of PRAMS I, and will be assisted by a Personal Services Contractor (PSC) whose title will be PRAMS I Program Coordinator hired by the Mission. The PRAMS I Program Coordinator works under direct supervision the Chief of the EAPRI. These two individuals constitute the Mission's PRAMS I staff. The Mission's PRAMS I staff will serve as liaison between the Mission and the Contractor regarding the latter's provision of technical services under the contract. The Chief of EAPRI is responsible for liaising with the relevant GRC technical and administrative Ministries and agencies, private sector representatives, Peace Corps/Cameroon, and other donor groups as concerns PRAMS I. Within USAID/Cameroon, EAPRI represents the principal office for policy reform implementation, private sector development, and macro-economic analyses. If needed, additional refinement of the working relationship between the Mission's PRAMS I staff and the long-term field advisors will be made once the advisors are in place.

C.III. SCOPE OF WORK

A. Qualifications of the Contractor

The Contractor must have extensive knowledge and/or experience in institutional analysis, development, and reform, particularly as applied to comprehensive restructuring of multi-tiered export crop marketing cooperatives in a liberalized environment. The Contractor must have expertise and experience in arabica coffee processing and marketing. The Contractor must have experience in providing technical support and guidance to Peace Corps Volunteers. The Contractor will preferably have background in the application of the Institutional Analysis and Design Framework (IADF) to policy and/or institutional reform programs. Experience in these areas within Africa would be considered particularly relevant. The breadth and depth of the Contractor's human resource base with regard to the specific responsibilities noted below in Sections C.1 and C.2. (i.e. the long-term and short-term technical assistance required) will be particularly important. Finally, the ability of the Contractor to use local, in-country expertise to supplement the short-term technical assistance envisaged under this contract is of considerable importance to the Mission.

- B. The following summarizes required qualifications required of the Contractor:
- Demonstrated ability to manage technical assistance projects of this nature, particularly with regard to USAID procurement and other regulations.
 - Demonstrated ability to backstop long- and short-term technical assistance activities.
 - Experience in institutional analysis, development, and reform.
 - Knowledge of export crop marketing cooperative development (both technical and institutional) in a free market environment.
 - Knowledge of all aspects of arabica coffee production, processing and marketing(*)
- C. The following summarizes desired qualifications of the Contractor:
- Experience in the provision of technical support and guidance to Peace Corps Volunteers.
 - Experience in the application of the Institutional Analysis and Design Framework in policy reform programs.
 - Experience working in African environments.
 - Demonstrated ability to use local, in-country expertise to supplement technical assistance activities.

*These operations include the following:

1. Growing (includes activities directed to coffee trees such as weeding, pruning, fertilizing);
2. Harvesting;
3. Washing (includes pulping, fermentation, and drying);
4. Processing (includes hulling, sorting, and picking);
5. Marketing (includes price setting, acceptance of coffee, internal transport, locating buyers, evaluating price offers, certifying quality, port clearing, and shipping).

D. Specific Duties and Responsibilities of the Contractor

The Contractor shall provide the individual members of a technical assistance (TA) team as described below. The Contractor will, through his Chief of Party (COP), coordinate with the Mission's PRAMS I staff in overseeing implementation of the long- and short-term technical assistance activities. The Chief of EAPRI will serve as the project manager for the Mission and the Contractor's TA team should establish its relationship with USAID/Cameroon on this basis. The TA team will work with the NWCA management to restructure the NWCA cooperative structure within the framework of the Memorandum of Understanding between NWCA and USAID.

The TA team will familiarize itself with the work of the PRAMS I Short-Term Technical Assistance Teams who have provided assistance to NWCA starting in November 1990. Major steps have been taken in most areas of the project, including coffee marketing, processing and management, and basic principles for restructuring have been established. USAID regards these previous works as providing a sound basis for continued effort by the long term technical assistance team.

1. Long-Term Technical Assistance

(a) Institutional Development Specialist/Chief of Party (24 person-months)

The Institutional Development Specialist will be attached to the NWCA headquarters in Bamenda. The Specialist shall advise NWCA leadership at all levels with respect to the design and implementation of restructuring the NWCA cooperative structure, as set forth in the Memorandum of Understanding. In this role, the Institutional Development Specialist shall be charged with coordination of the overall efforts of the TA team as the team's Chief of Party (COP). As COP, the Specialist shall also serve as primary liaison between the TA team and both NWCA and USAID. Specific duties shall include but not be limited to the following:

- Coordinate development of all new and revised operational and organizational protocols and bylaws.
- Monitor and coordinate all TA team operational and organizational recommendations to ensure their consistence with institutional objectives and technical realities.
- Advise and assist the NWCA in the implementation of new protocols and bylaws.
- Coordinate, in conjunction with NWCA, the implementation of the Peace Corps PCR project including the provision of technical guidance and training to Peace Corps CTAs.

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- Organize and conduct quarterly review meetings on the implementation of the overall cooperative restructuring effort (see Section C.3).
- Coordinate fulfillment of Contractor reporting requirements (see Section C.4).
- Facilitate and support the PRAMS-I research program aimed at improving the Mission's understanding of the design and implementation of policy reform.

The qualifications of the Institutional Development Specialist include the following:

- Advanced degree in Public Policy and Administration, Business Administration and Management, or a related field.
- Professional hands-on experience in institutional analysis and policy and/or institutional reform.
- Thorough familiarity with the Institutional Analysis and Design Framework.
- Professional experience with cooperatives, preferably in Africa.
- Managerial or team leadership experience.
- Demonstrated ability to write effectively.
- Fluency in English and a working knowledge of French.

(b) Coffee Processing Specialist (24 person-months)

The Coffee Processing Specialist will be attached to the NWCA headquarters in Bamenda and provide technical guidance to NWCA- and union-level managers and technicians regarding all aspects of arabica coffee processing and associated equipment aimed at upgrading the processing capability and efficiency of the NWCA. Specific duties shall include but not be limited to the following:

- Assess, at all levels of the NWCA, the needs for maintenance and rehabilitation of existing equipment.
- Assess the need for new equipment, and if needed provide guidance concerning its procurement, installation, and use.
- Coordinate the procurement, installation, and operation of pilot pulping stations and the assessment of their feasibility for both the West and North-West Provinces.

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- Provide technical guidance and training to Peace Corps CTAs in matters of coffee production and processing.
- Arrange for hands-on and formal training of cooperative technicians regarding the use, maintenance, and repair of equipment at all levels.
- Monitor and adjust parchment acceptance procedures.
- Set up and advise on the operation of coffee tasting facilities
- Help deliver farm-level assistance with respect to processing and cultivation, particularly for producers of class 3 coffees.

The qualifications of the Coffee Processing Specialist include the following:

- Advanced degree in Agricultural Engineering, Food Science and Technology, Engineering Management, or a related field.
- Professional hands-on experience in and familiarity with all technical aspects of the production and processing of arabica coffee.
- Professional experience with cooperatives, preferably in Africa.
- Fluency in English and a working knowledge of French.

(c) Financial Management Specialist (24 person-months)

The Financial Management Specialist will be attached to the NWCA headquarters in Bamenda and shall coordinate with NWCA operational and financial managers to assess the efficacy of the existing NWCA financial management systems and to provide recommendations for the creation of a more streamlined, efficient, and accountable system of financial management. Specific duties will include but not be limited to the following:

- Evaluate NWCA's existing systems for financial planning and management at all levels, paying special attention to the extent to which they address the need for simplicity, effectiveness, and transparency.
- Propose revisions in the existing financial planning and management systems or devise new systems as appropriate.
- Assist the cooperatives in implementing the new and/or revised financial management systems, including mobile auditing teams.
- Provide technical guidance and training to Peace Corps CTAs in matters concerning CPMS financial affairs and management.
- Arrange the provision of hands-on guidance and formal training to facilitate implementation of the new and/or revised systems.

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- Assist the cooperatives in bringing annual accounts up to date.
- Assess the need for a revolving credit fund for capital investment, and should it be deemed necessary, coordinate its creation and implementation.
- Assist in implementing audit recommendations.
- Assist in updating and implementation of the comprehensive set of "New Internal Marketing Arrangements (NIMA's)," as defined in the Memorandum of Understanding, for the NWCA within the context of its envisaged institutional environment.

The qualifications for this position include the following:

- Advanced degree in Accounting, Finance and Banking, or Business Administration and Management, or a related field.
- Professional hands-on experience in financial management and planning for multi-tiered cooperative structures.
- Professional experience in Africa.
- Fluency in English and a working knowledge of French.

2. Short-Term Technical Assistance (29 person-months)

The exact short-term TA needs will be specified during the implementation of PRAMS I. However it is anticipated that specialists will be needed to perform tasks and address issues and problems in the following areas:

(a) Coffee Marketing (11 person-months)

Coffee Marketing Specialists shall advise and assist cooperative leadership at all levels with respect to the restructuring of marketing arrangements to render them more efficient both in terms of cost and in transmitting accurate and timely market signals to producers. Marketing specialists' tasks shall include but not be limited to the following:

- Advise and assist the NWCA in absorbing and performing new marketing functions and responsibilities under the liberalized market environment, including export marketing through a pre-selected coffee broker.

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- Arrange the provision of hands-on guidance and formal training to facilitate NWCA's execution of new marketing functions.
- Monitor and evaluate on a continual basis the performance of the pre-selected brokers and recommend whether NWCA should retain their services for the following year; identify new potential brokers if necessary. After the 1991-92 and 1992/93 seasons, assess whether brokers represent the best method for NWCA to market their coffee abroad.

Development of terms of reference for and supervision of the Coffee Marketing technical assistance will be the responsibility of the long-term technical advisors in close coordination with NWCA and the Mission's PRAMS I staff. It is anticipated that the bulk of the technical assistance in marketing functions will be needed on a regular, annual basis, coinciding with the coffee marketing season.

(b) Technical Support Activities (18 person-months)

In support of additional aspects of the PRAMS I cooperative restructuring component and supporting components, a variety of short-term technical assistance activities will be needed to address specific analytical, advisory, or training needs. These services will include but are not limited to specialists from the general categories included under long-term technical assistance (institutional analysis, coffee processing, and financial management). Such may include but is not limited to specialists in the following areas:

- Cooperative law
- Arabica pulping/washing stations
- Information systems
- International marketing
- Transportation
- Staffing analysis

Short-term assistance is to be programmed to conduct union-level cost studies by October 1, 1992. These studies are needed in order to (1) reduce costs and (2) write an internal price schedule that varies from union by union. Once union cost studies are carried out, and each union is required to cover its own costs, some societies will want to rethink their union affiliations. The cost studies will be a major impetus to union-level restructuring. Short-term assistance will be required to advise societies and unions in making restructuring decisions during October-November.

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Society level studies are to be carried out. Short-term assistance will be required to advise on society-level restructuring, i.e. amalgamation or division.

Design and supervision of the Technical Support Activities will be the responsibility of the long-term technical advisors in close coordination with NWCA and the Mission's PRAMS-I staff.

3. Quarterly Review Meetings

The Contractor will be responsible for the organization and financing of quarterly review meetings to be held in Bamenda. The purpose of such meetings will be to review the progress of PRAMS I activities, to provide recommendations to guide the ongoing implementation process, and to provide information for the PRAMS I Research Program. The Review will be performed by an independent Assessment Team to be named by USAID. For these reviews the Contractor will work closely with members of the Assessment Team and the PRAMS I research program to ensure consistency between implementation, monitoring, research, and evaluation. The meetings will involve (in addition to the Contractor's TA team): NWCA staff, Peace Corps CTAs, the USAID Mission's PRAMS I staff, members of the Assessment Team and PRAMS I research program, and representatives of any other organizations involved in the cooperative restructuring project.

4. Reporting

The Contractor will be responsible for the drafting, reproduction and distribution of four types of reports; the Quarterly Activity Report, the Annual Activity Report, the Report of the Quarterly Review Meeting, and the Annual Work Plan.

Quarterly Activity Reports will review the progress of the Contractor's activities and is to be submitted one week in advance of the Quarterly Review meetings.

The final Quarterly Activity Report for each year will serve as the Annual Activity Report. The Annual Activity Report, in addition to providing information required for a quarterly activity report, will a) summarize and examine progress made to date on the overall implementation of PRAMS I and b) determine the revisions necessary for the protocols and bylaws to be incorporated into the Memorandum of Understanding and annual program implementation agreements (see Annex C-I).

The Report of Quarterly Review Meetings will be based on the proceedings of the quarterly review meetings and will a) review the progress of PRAMS I activities, b) provide recommendations to guide the ongoing implementation, and c) provide information for the Research Program. Input will be provided by the Assessment Team.

Based on the recommendations of the three above mentioned reports, the Contractor shall draft an Annual Work Plan, in conjunction with NWCA and USAID, to guide the implementation process over the coming year. The first Annual Work Plan shall be submitted no later than 30 days after the arrival of the full technical assistance team in Cameroon. The second Annual Work Plan shall be submitted no later than 45 days after the 1991-92 Annual Review.

All reporting by the Contractor to USAID shall be submitted by the Chief of Party.

5. Commodity Procurement

The Contractor shall be responsible for the procurement of 5 personal computers (PCs), assorted software, office furniture, and residential furniture and appliances. Except as otherwise approved by the Contracting Officer, requirements for commodities in excess of \$25,000 shall be advertised in the Commerce Business Daily and the U.S. Department of Commerce's Procurement Electronic Bulletin Board.

END OF SECTION C

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A N N E X 5

MID-TERM EVALUATION OF CAMEROON'S PROGRAM FOR REFORM
OF AGRICULTURAL MARKETING SECTOR (PRAMS I)

EVALUATION WORKPLAN AND SCHEDULE

The Mid-term evaluation of PRAMS I (631-0083) is to be carried out between May 12, 1993 through June 25, 1993 by the Mitchell group (TMG) consisting of Dr. Louis J. Cooke, Institutional Analyst/Team Leader (IA/TL); Dr. Curtis M. Jolly, Agricultural Economist (AE); and Mr. Pierre LeBlache, Arabica Coffee Marketing Specialist (AMS). The objective of the evaluation is to provide GRC/USAID decision-makers with objective, empirically based findings regarding project accomplishments and failures to date, conclusions regarding the continued relevance and feasibility of project objectives, and recommendations regarding the future direction and management of the project.

PRAMS I EVALUATION - WORK PLAN

| DATE | DAYS | ACTIVITY | ACTION AGENT | CONTACT | METHODOLOGY | OBJECTIVES |
|--------------|------|--|--------------|---|----------------------------------|--|
| May 12-14 | 1 | Background Information Gathering | Cooke | USAID/Cameroon desk; Mr. R. Shoe-Macher, AID/w; Dr. R. Oakerson | Interviews; Review of Literature | Baseline Data |
| May 17-22 | 2-7 | Travel to Cameroon | Cooke | ----- | ----- | Start in-country evaluation |
| | | PRAMS I Briefing; Review AID files; Meet USAID/C Evaluation Officer | Cooke | François Vezina, PRAMS Coord; Mr. Tom Crawford | Interviews; Review of Literature | Baseline data Advisory on evaluation Report. |
| | | Interview ARD L/T TA; Review AID Files | Cooke | Dr. R. Oakerson | Interview | Baseline data |
| | | Conduct Interviews; Gather Literature at USAID | Cooke | François Vezina, Dr. R. Oakerson | Interviews; Review of Literature | Baseline Data |
| | | Review of Literature; Prepare briefing material for TMG Team arrival | Cooke | Dr. Curtis Jolly, TMG; Mr. Pierre LeBlache, TMG | Review of Literature; Briefing | Provide overview of work; allocate Team responsibilities |

| | | | | | | |
|------------------|------|--|-----------------------------|--|--|--|
| May 23 (Sun.) | | Work at hotel; Review of Literature | Team | ----- | ----- | To gain information on project activity |
| May 24-29 | 8-13 | PRAMS I overview; draft work plan; Meet Contract Officer | TMG Team | CH., EAPRI; PRAMS COORD.; John May; ACO | Briefing; Discuss contract | Briefing on project activities |
| | | Arrange travel to Bamenda; Sked. interviews; | Cooke | PRAMS Coord. | Administrat- ive | Explore AMIS design/implementa- tion |
| | | Interview; Courtesy visits to GRC; Travel to Bamenda and environs; Meet ISTI COP (INFORMAL) | Team | Dr. Eric Tollens; MINPAT, MINDIC, MINAGRI Officials; Lisa Matt. | Interview; Presentation | PROTOCOL and ident. APCC Rep. to accom. Team to Bamenda. Informal contact |
| | | Attend Intra- Annual Assessment | Team | Plenary session | Seminar | Background and current status on PRAMS |
| | | Site visit to ECC; NWCA; Finalize workplan and submit to USAID for approval; Visit processing plants and coffee farms | Team (Divided duties) | BOD Mr. Christopher Berinyuy, G/M Dr. R. Ghogomu, N. Paul Bantar, Abel Chenyi, Christopher Mbah; other agents as identified. | Interviews; Review of Literature; observe oper; Inquiry. | Examine Organization, function, role in PRAMS; problems faced; inter- relationship AID, ISTI, ARD; Evaluate field operation. |

| | | | | | | |
|-------------------|-------|---|-----------------|--|--|---|
| May 30 (Sun.) | | Informal meeting with IBG official | Team | Aloys Galabe | Interview | Background on NWCA |
| May 31- June 5 | 14-19 | Site visit to ECC; Interview PCV Coord. with NWCA Unions. | Cooke, Jolly | Hartmut Hofmeister, EDF adviser; Chris Kosnick, APCD; | interview, | Explore their knowledge of PRAMS; relationship of players - USAID, ISTI, ARD, NWCA; Accomplishments; |
| | | Visit NWCA | Cooke/ Jolly | PCV's, Robert Ghogomu, Bantar, Chenyi, Christopher, Achidi, Ndofor, Credit Union. | Review of reports; Identify groups, agents and individuals involved; | Examine function of NWCA; Evaluate supervision/control of Cooperatives; Review Co-op. licensing; evaluate constraints to export; NWCA ability to compete. |
| | | Site visit ISTI; Interview Staff; Review and analyze documents. | Cooke Jolly | Lisa Matt, COP; Cary Raditz, FM Spec.; Tony Marsh, Coffee Spec.; Dr. Eric Tollens. | Interview; Review of Literature | ISTI's role in PRAMS; AMIS PROG.; Review socio-Econ. study; effects of Coop. Law, liberalization; Evaluate perform. |

| | | | | |
|--|----------------|---|---|--|
| Site visit to ARD; meet Staff; contact former ISTI FM Specialists. | Cooke Jolly | Dr. R. Oakerson, Kreyel Kmenyer Alexander Sho; Paul Wesson; Randy Dow | Interview; Review of Literature Meetings; Discussions | Identify ARD's role in PRAMS; Deter. impact; Effect of S/T consult on Trade Liberalization; Evaluation. |
| Visit Processing plants and Coffee farm | PL | Production executive in I or L coops. | Observe; question | Evaluate physical coffee production, appearance and processing of the Marketable produce |
| Visit UCCAO in Bafoussam | PL | Mme. Tamwo Marketing executive Financial Staff Logistics Staff. | Interviews | Evaluate NWCA's competitors situation; evaluate NWCA's Marketing Dependence on UCCAO |
| Visit Coopagro in Fumbot | PL | Mme. Tsavecopoulos | Interview | Same as above, with NWCA's other regional competitor |
| <u>ARRIVE DOUALA</u> <u>EVENING (6/1)</u> | | M. Eloa TBA TBA M. Bakang | Interview | Explore GRC cont. role in arabica coffee policy; NWCA's Commercial data; appraisal of NWCA's coffee quality; |
| Visit ONCC and CICC; Auditors; SGS | | | | |

| | | | | | | |
|-----------|-------|--|----------|---|---|--|
| June 6 | | TVL to Yaounde | Team | | | |
| June 7-12 | 20-25 | Conclude interviews: CAA; Prime Minister; Peace Corp; World Bank | TMG Team | Mr. Isaac Njiemoun, Mr. Augustin Fongang, M. Simon Achu Achidi, John Carter, Cris Kosnick, Mr. Roiden | Interview, Discussion, Examine data base and socio-economic study; Data analysis. | Review handling of Loc. Cur.; views of PC involvement with PRAMS; effects of cooperative laws and liberalization on farmers, Unions and Co-operative activity. |
| | | Meet with CAPP, | | Peter Wyeth, | | Deter. progress of SAP. Evaluate the effectiveness of the proposed AMIS. |
| | | Meet with EEC; Meet with AID/Economist, | | William Hanna, Michel Gauche | | Discuss Coffee policy reform; Agricultural Policy; Financial environment. |
| | | Meet with STABEX; | | Mr. Houlloux, | | Discuss World Bank participation. |
| | | ILO; MINAGRIC | | Alexander Soho Norbert Tchatat Dr, Ngenge, Wa | | Discuss Agricultural policy for Cameroon. |

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| June 13 | | Brainstorm findings/Recom- mendations; Work on draft report | Team | ----- | Discussion, Examine documents | Assessment of work; Work on report. |
| June 14-19 | 26-31 | Team members submit draft Section to team Leader; team Leader integrates sections into draft report; | Team | | | |
| | | Team Review draft; prepare for submission | | | | |
| June 21-26 | 32-36 | Team members put together five (5) copies of draft report for USAID and three (3) copies for team. Draft report submitted to mission. | TMG Team | | | |
| June 22 | 33 | Oral presentation on findings, conclusions, recommendation with USAID and APCC. | TMG Team | | | |

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| June 23-24 | 34-35 | Team members make corrections to the report based on Mission comments; Team members prepare appendices as required. | TMG Team |
| June 25 | 36 | Submit final report. | TMG Team |
| June 26 | | Team returns to U.S. | TMG Team |

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