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DECENTRALIZATION: FINANCE & MANAGEMENT PROJECT

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**PROGRAM OF REFORM IN THE AGRICULTURAL  
MARKETING SECTOR, PHASE I  
FINAL ASSESSMENT REPORT**

**Decentralization: Finance and Management Project  
Associates in Rural Development, Inc.**

*Contract No. DHR-5446-Z-00-7033-00*

*Prepared by:*

Ronald J. Oakerson, Assessment Team Leader

*Prepared for:*

U.S. Agency for International Development  
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## I. INTRODUCTION

The Program for the Reform of the Agricultural Marketing Sector, Phase I (PRAMS I) included a regular process of review and assessment as part of its cooperative restructuring component, which was focused on the North West Cooperative Association (NWCA) located in the North West Province of Cameroon. PRAMS I was a policy-reform program designed to liberalize the internal and external marketing of arabica coffee. The cooperative restructuring component sought to lay the technical and institutional foundation for restructuring the NWCA, enabling this federation of 11 area cooperative unions and 40 (now 73) marketing societies to adapt to its newly liberalized environment.

The restructuring of NWCA was based on an institutional design that envisioned the development of market-like relationships among the cooperative organizations within the federated structure of NWCA. Included in the total package of assistance were technical study and advice related to problems such as management, accounting, coffee processing, and export marketing; the rehabilitation of coffee mills used for hulling and grading; training; a Crop Finance Revolving Fund (CFRF) for the purpose of financing the purchase of coffee from farmers; and related efforts to upgrade both facilities and procedures. The assistance was coordinated and in large part delivered by a resident, 3-person technical assistance (TA) team, supplemented by a number of short-term consultants. In addition, 11 Peace Corps volunteers were posted around the province for the principal purpose of delivering technical assistance to the primary marketing societies.

The purpose of review and assessment was periodically to mark progress, identify and resolve problems, adjust (as needed) the institutional design that guided the restructuring effort, and foster a continuing dialogue with respect to the means and ends of policy reform and economic liberalization. The plan was to conduct three reviews annually--one Annual Review and two Intra-Annual Reviews. Following each review an external assessment leader (or assessment team) would prepare a report with recommendations. USAID/Cameroon contracted with the Decentralization: Finance and Management (DFM) project, managed by Associates in Rural Development, Inc. (ARD), to conduct the assessments. The contract called for a series of annual and intra-annual assessments under the leadership of a senior-level institutional analyst, with other technical specialists to be employed as needed.

Under this contract a total of 5 intra-annual assessments (and no annual assessments) were prepared on the following schedule:

	<u>Date of Report</u>		<u>Date of Review</u>	
1)	May	1992	28-29 April	1992
2)	June	1993	27-28 May	1993
3)	September	1993	8-9 September	1993
4)	March	1994	17-18 November	1993
5)	March	1994	1-2 March	1994

The other assessments included in the contract were not carried out for reasons noted below.

## **II. THE CONDUCT OF REVIEW AND ASSESSMENT**

The first (and, as it turned out, the only) Annual Review was conducted in Bamenda, capital of the North West Province, in December 1991, prior to the start of the assessment contract; nevertheless, DFM personnel helped to organize the Annual Review and participated actively in it under the auspices of an earlier short-term technical assistance contract, although no assessment report was prepared. The Annual Review was the culmination of more than one year of preparations for and partial implementation of restructuring activities. The four-day meeting brought together representatives of all three levels of the cooperative structure, including farmer representatives who were not cooperative officials from each marketing society, as well as representatives of the Government of Cameroon, USAID/Cameroon, other donors, and arabica marketing cooperatives from neighboring West Province. The institutional design on which the restructuring effort would rest, together with the policy reforms to be undertaken by the government, was fully explained; several of these presentations were translated into the pidgin English spoken by North West farmers.

The following April (1992) was the occasion of the first intra-annual review, followed by an assessment report submitted in May. The participants in the 2-day review consisted of the NWCA Board of Directors (composed largely of area cooperative union presidents), NWCA's General Manager and senior staff, the 11 union managers, two representatives of USAID/Cameroon (the project officer and program coordinator for PRAMS I), the 3-person resident TA team, and the first five Peace Corps Volunteers (PCVs). The TA team and PCVs were newly arrived. Without the participation of representatives from each society, the assembly was much smaller than the Annual Review. DFM supplied an assessment leader who had participated in the Annual Review (and earlier in the design of PRAMS I) and would remain the same for all subsequent reviews.

The review was preoccupied with a discussion of serious cash-flow problems that had arisen at NWCA, resulting in their inability to replenish the Crop Finance Revolving Fund, used to finance the purchase of the coffee crop, until the end of January, two months into the marketing season. USAID proposed to commercialize the CFRF, but NWCA resisted this change. The assessment leader reviewed the institutional design that was to be implemented, stressing the importance of determining producer prices at the level of primary marketing societies--a step that was still to be taken, in part because the government had not yet relinquished its function of establishing a uniform producer price at the opening of the season. The recommendations highlighted in the Assessment Report concerned the next steps required in the restructuring project--in particular the requirements for fully implementing the institutional design by the upcoming, 1992-93, marketing season.

Thirteen months elapsed before another intra-annual review was convened. In the interim, two reviews were deferred--an intra-annual review around September and an annual review planned for November 1992. This was a period marked by political instability in Cameroon, which made travel difficult, as well as by controversy within the restructuring project. The assessment leader visited Cameroon in the fall of 1992 for the purpose of making recommendations to USAID regarding differences that had arisen between NWCA and the TA team. These issues centered over the pace at which key institutional reforms were to be introduced, the TA team and USAID presuming full implementation by the 1992-93 marketing season to begin in December. In the end, many of the issues had to be reserved for later resolution, effectively delaying the full implementation of the institutional design until the final year of the project. The Program Implementation Agreement (PIA) for 1992-93 was drafted, negotiated, and signed between NWCA and USAID without the benefit of an annual review to air differences and search for areas of agreement.

The second intra-annual review met in May 1993. The focus of discussion was on progress in implementing the PIA signed earlier in the year. The PIA called for a series of joint action plans to be developed by NWCA and the TA team. Good progress was reported on the action plan for NWCA's marketing department, but progress was stalled on an action plan designed to introduce society-level producer pricing by means of an education campaign. However, the review facilitated useful discussion of the outstanding issues. The urgency of reform was becoming more and more apparent to NWCA's board of directors and management. The assessment report concluded that NWCA remained on the path of reform, but urged that critical steps were still left to be taken, requiring early action.

In retrospect, it is clear that the May 1993 review marked a major turning point in project implementation. The third intra-annual review, held in September 1993, received reports of rapid progress on nearly all fronts. In particular, the education campaign designed to introduce producer pricing at the society level was scheduled for October. The assessment report, while noting progress, focused its recommendations on steps that remained to be taken in preparation for the upcoming 1993-94 marketing season.

The November 1993 intra-annual review was originally planned as an annual review, but the participation by government officials desired for an annual review could not be arranged. This review was conducted by a two-person team; joining the assessment leader was an accounting specialist. A major portion of the TA effort over the previous year had been directed at upgrading and systematizing NWCA's finance and accounting system, and this effort was given special attention during the November review. The accounting specialist voiced concern over NWCA's heavy reliance on per-kilo charges to finance its coffee operations. Nevertheless, the use of this method of finance was consistent with the institutional design of the reform program and did not stand in the way of reform. A suggestion that NWCA consider a shift from per-kilo charges to membership fees in order to finance its fixed costs were accepted for long-term consideration. Discussion was also focused on NWCA's projected method of accounting for the physical transfer of coffee through the structure. The assessment report strongly recommended use of an accounting

method that would reinforce the reformed institutional relationships among the levels of the cooperative structure. These concerns paled, however, beside the remarkable fact that NWCA was poised to conduct the 1993-94 campaign with the institutional reforms fully in place, having implemented nearly all provisions of the PIA for 1992-93.

The fifth and final intra-annual review was conducted in March 1994. This was an expanded review that included representatives from each of the primary marketing societies, now increased in number from 40 to 73 owing to the recent implementation of a new national cooperative law. The 1993-94 marketing season was in progress. The review took note of the immediate impacts of the newly established institutional reforms. Of special interest was the amount of variation in internal costs and producer prices among societies and unions, as well as the division of many existing societies creating 33 new ones. Society-level pricing had been designed to induce better cost control within the cooperative structure. This was observed especially at the society level, even in anticipation of the new producer-pricing arrangement. Less cost reduction was observed at the union level.

The review also took note of the project's accomplishments in view of the objectives set forth by the Memorandum of Understanding (MOU) signed by NWCA, its affiliated cooperative unions, and USAID/Cameroon on 17 October 1991. The four major objectives of the project were fully realized: (1) the reform of cooperative governance so as to allow the NWCA to be restructured from the bottom up, at the initiative of farmers; (2) the introduction of new Internal Marketing Arrangements that would enable the cooperatives to improve quality and operate with greater efficiency; (3) the reduction of per-unit operating costs at all levels of the cooperative structure, resulting in greater income for farmers; and (4) the creation of an export marketing capability within NWCA.

### **III. THE ROLE OF REVIEW AND ASSESSMENT**

Several groups were involved in the process of project implementation and reform: (1) the NWCA senior management and staff, including at a minimum the General Manager, Assistant General Manager, Marketing Director, Chief Engineer, Finance and Accounting Director, and the Chief of Internal Audit; (2) the President and members of the Board of Directors of NWCA (most of whom are also union presidents); (3) managers of the 11 cooperative unions; (4) the 3-person resident TA team (and various short-term consultants); (5) 11 Peace Corps volunteers; and (6) USAID/Cameroon's Office of Economic Policy and Reform Implementation (EAPRI), represented by the office chief and the program coordinator for PRAMS I. For reform to succeed, these somewhat disparate groups were required to work together toward common objectives. One of the basic purposes of the review and assessment process was to provide a forum for coordination among these groups and resolve differences among them.

Each of the groups listed above was represented at the 5 intra-annual reviews. Other groups were involved as well, including the managers and elected officials of the 40 (now 73) primary marketing societies, the members of the government's Arabica Policy Coordinating Committee (APCC), other donors working with NWCA (especially the European Community), and other arabica exporting organizations; these groups were to be represented only at the Annual Review.

Each intra-annual review was a two-day affair that included the participation of some 45 people--more in the case of the final review (which substituted in some respects for an annual review). The NWCA President presided at these meetings. The reviews were organized as a series of presentations on various aspects of the project--marketing, finance and accounting, education, coffee quality improvement, technical studies, cost reduction. Most presentations were prepared and delivered by members of the NWCA senior staff, with input from a variety of sources. Also at each meeting, the PRAMS I program coordinator reported on the progress being made in national-level policy reform as it affected the arabica sector, the use of local currency to fund activities within the project, and the government's progress in satisfying the conditions precedent to dollar disbursements. After each major report the assessment leader would comment on the progress being made toward program objectives, often followed by a response from one or more representatives of NWCA. Participants frequently raised questions from the floor. Issues over which participants differed were candidly and thoroughly discussed. At the conclusion of the review, the assessment leader presented findings and recommendations.

One of the purposes of the review and assessment process was to make mid-course adjustments in the institutional design of the reform package being implemented. Some such adjustments were made. Throughout the period of implementation, NWCA and the TA team wrestled with issues related to the appropriate procedures for accepting, processing, and marketing coffee. These procedures were modified as new information came to light or as experience demonstrated one or another approach to be infeasible. For example, although it was initially thought that coffee would be marketed for export on a union-by-union basis, in the end coffee was marketed without regard to the union of origin. The review provided a deliberative process for making such adjustments, allowing each one to be evaluated for its relation to the entire institutional design, rather than making the adjustments ad hoc. Some adjustments were considered--and sometimes implemented on a trial basis--but eventually rejected as inconsistent with the reform objectives.

An equally important purpose of review and assessment was to resolve differences among project participants through a process of continuing dialogue. Considerable dialogue of course took place outside the review process. Nevertheless, by allowing for a public airing of differences and mutual exploration of the issues, mediated by an assessment leader who was not a direct participant, the review process clearly contributed to needed conflict resolution. It also contributed over time to a clarification of reform objectives, the benefits to

be derived from reform, and the means required to achieve those objectives and their benefits. As a result, the commitment to reform on the part of NWCA officials, as well as the degree of cooperation among the various groups of participants, grew with each review.

One unanticipated but positive effect of the review process was to create deadlines that project participants often felt compelled to observe. Knowing that an intra-annual review was scheduled soon seemed to motivate participants to move forward on action-plans so as to be able to report progress. This was particularly useful in 1993--Year Three of the project--during which time most of the reform agenda was implemented.

Each assessment report was distributed among the review participants. The reports were organized mainly around an assessment of the progress being made toward meeting objectives outlined in the annual Program Implementation Agreement (PIA) between NWCA and USAID/ Cameroon. Recommendations focused on the next steps that needed to be taken in order to continue down the path of reform. Most, though not all, of the recommendations made were accepted and acted upon to the extent possible. Together, the PIA and intra-annual assessment reports served as a common frame of reference for project participants during the course of the project-year.

The principal shortcoming of the review and assessment process was the failure or inability to conduct additional reviews during Year Two following the first intra-annual review in April 1992, in addition to the inability to convene an annual review following the first annual review in December 1991. To a large extent, postponements were due to political volatility within the country, much of which was centered in the North West Province. However, the conduct of at least one intra-annual review in the fall of 1992 would have provided an opportunity to sort out the differences between NWCA and the TA team then blocking progress on reform. Although the differences eventually were resolved in a satisfactory manner, a more rigorous adherence to the review and assessment schedule might have avoided some of the more serious misunderstandings that developed or might have resolved differences earlier.

As it worked out, the reform program was not fully implemented until the final year, leaving no opportunity for the review and assessment process to monitor further adjustment in the institutional design. While the final year of the project was intended to be one focused on making adjustments to a design that was fully implemented at least a year earlier, it was instead devoted to securing full implementation. As a result, the iterative process of design, adjustment, and readjustment was truncated, omitting the final period of adjustment and therefore leaving the process of review and assessment incomplete.

## IV. CONCLUSION

As the final assessment report in March 1994 concluded, the cooperative restructuring component of PRAMS I was a success--in spite of having run consistently behind schedule--achieving virtually all that it set out to do. NWCA emerged from the program stronger, more efficient, highly competitive with other arabica buyers in Cameroon, and gradually improving the quality of the coffee being produced. Farmers were clearly realizing the benefit of cost reduction and competition in higher producer prices. Moreover, farmers were taking control of their cooperative structure, creating 33 new primary marketing societies that returned cooperative organization to the village level where it had originated; at the same time, new elections led to considerable turnover among cooperative officials. The successful introduction of internal marketing arrangements (especially society-level producer pricing) within the cooperative structure had resulted in significant price variation among the cooperatives, creating incentives that would continue to exert pressure for cost reduction and control.

The larger policy reform effort led by PRAMS I had effectively removed the government from a direct role in the arabica sector, creating the institutional conditions for free and open competition among buyers and allowing any buyer to export directly on the world market. An Arabica Market Information System (AMIS) had been created and, operated by a government agency, was providing both world-price and local-price information directly to farmers via newspapers, radio, and television, giving the new arabica coffee market a high degree of visibility within the country.

The success of PRAMS I has derived in great part from its careful, institutionally-based design and the highly intensive oversight given the process of implementation by USAID/Cameroon and the government of Cameroon through the Arabica Policy Coordinating Committee, as well as the process of review and assessment that accompanied the cooperative restructuring component.<sup>1</sup> Periodic review and assessment was a basic element of the intensive oversight and iterative adjustment of the program that contributed to its achievements. The only major shortcoming of the process was that there should have been more of it--reviews should have been conducted on schedule--and it could usefully have been extended for perhaps another year.

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<sup>1</sup>PRAMS I was also the subject of an extensive research program sponsored by USAID/Cameroon. The Program of Research on Market Transitions (PROMT) prepared a set of nine reports, which provide detailed information on the process of reform, including one report focused on NWCA and titled, Restructuring the North West Cooperative Association. Another report, Paths of Policy Reform, deals with the design and implementation of the policy-reform component of PRAMS I. Two other reports, Institutionalism and Policy Reform and The Analysis of Market Transitions discuss, respectively, the institutionalist approach used by USAID/Cameroon in the design of PRAMS I and the conclusion that can be drawn from the Cameroonian policy-reform experience. These reports were also produced by the Decentralization, Finance and Management (DFM) project managed for USAID by Associates in Rural Development, Burlington, VT.